



**TRANS HEX
GROUP**



ANNUAL INTEGRATED REPORT 2019

REPORT SCOPE AND BOUNDARIES

This Annual Integrated Report covers the Trans Hex Group financial year from 1 April 2018 to 31 March 2019.

It reports on the operational, governance and financial activities of the parent company, ("Trans Hex" or the "Company" or the "Group") and its associates and subsidiaries during this time, and to a lesser degree, that of associated companies.

This report aims to enable shareholders, potential investors, industry authorities and other interested stakeholders to make informed assessments of Trans Hex's performance and future prospects.

Use of guidelines

Trans Hex is aligned with the requirements of the King IV™ Report on Corporate Governance for South Africa, 2016 (King IV) to produce an integrated financial report that provides both financial and non-financial information on issues material to its stakeholders. The mineral resource and reserve information in this report is compiled in accordance with the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (the SAMREC Code), as well as the Listings Requirements of the JSE Limited. This information has been reviewed and confirmed by the competent person as defined by the SAMREC Code.

Materiality

Material topics are defined as those reflecting significant economic, environmental and social impacts or those that would influence the decisions of the Group's stakeholders. The material topics disclosed in this report have been informed by regulatory obligations, internal financial and non-financial reports and voluntary disclosure standards.

Assurance

The annual financial statements in this report were audited by Mazars. The financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), the IFRS Interpretations Committee interpretations, the Financial Reporting Standards Council's Financial Reporting Pronouncements and the requirements of the Companies Act No. 71 of 2008, as amended (Companies Act) and the Listings Requirements of the JSE Ltd.

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TRANS HEX FINANCIALS AT A GLANCE

GROUP NET PROFIT FOR THE YEAR R144.1 m (2018*: loss of R229.0 m)	SALES REVENUE FROM THE SOUTH AFRICAN OPERATIONS increased to R312.6 m (2018*: R204.7 m)	GROUP NET PROFIT from continuing operations R64.7 m (2018*: loss of R16.0 m)
PROFIT FROM DISCONTINUED LOR OPERATIONS directly attributable to the proceeds from its sale R77.8 m (2018: loss of R215.3 m)	EQUITY ACCOUNTED PROFIT FROM SOMILUANA R50.4 m (2018: profit of R47.5 m)	OTHER GAINS primarily due to the remeasurement of rehabilitation provisions R190.2 m
GROUP'S NET CASH POSITION at the end of year amounted to R65.5 m (2018: R79.4 million)	EARNINGS PER SHARE 127.8 cents (2018*: loss of 201.6 cents)	HEADLINE EARNINGS PER SHARE 45.3 cents (2018*: loss of 165.0 cents)
Note: *restated	ADJUSTED HEADLINE LOSS PER SHARE 51.3 cents (2018: loss of 68.3 cents)	NET ASSET VALUE PER SHARE 244.0 cents (2018*: 125.0 cents)



KEY FACTS

- 1 Sale of Lower Orange River (LOR) operations was concluded.
- 2 In September 2018, after being in operation for 11 years, the Trans Hex Diamond Cutting Works was closed down due to severe losses.
- 3 Four fatality-free years at the West Coast Resources operations.
- 4 No major environmental incidents.
- 5 At the end of the financial year, Trans Hex Operations engaged with Kernel Resources (Pty) Ltd on the sale of its stake in West Coast Resources.

ABOUT TRANS HEX

Trans Hex is a JSE-listed diamond mining company with more than 50 years' experience in producing gem-quality diamonds for the local and international market. Through its well-established land operations in South Africa and interests in Angola, the Company is engaged directly, and indirectly through joint-ventures, in the exploration, mining and marketing of the highest quality diamonds from land and marine alluvial deposits. The Company is renowned for consistently producing the highest quality diamonds available in the South African market.

Trans Hex seeks to identify and acquire diamond assets, either as a full or partial shareholder. The Group continually evaluates potential new diamond properties and pursues opportunities to expand its diamond-marketing operation.



THE CASE FOR INVESTMENT

Trans Hex is renowned for its high-quality gem production, which is highly sought after in the open market.

Interest in and demand for Trans Hex's production is expected to remain strong, and global diamond prices are anticipated to remain fairly stable in the year ahead.

In Angola, Somiluana Mine continues to show exceptional promise.

Trans Hex has an experienced management team that will maintain a strong focus on reducing production costs, disposing of unprofitable assets, and implementing sustainable performance improvements at all levels.

The Board of Directors of Trans Hex is considering a transaction which may result in the delisting of the Company, thereby enabling it to save on the costs of operating in a regulated environment.



VALUE CREATION



TRANS HEX GROUP BOARD OF DIRECTORS



MARCO WENTZEL (40)

Non-executive Director and Chairman of the Board
Appointed: April 2016

Representation on Trans Hex committees: Human Resources and Social & Ethics

Other appointments

Chairman of West Coast Resources (Pty) Ltd, Directorships at JSE-listed Stellar Capital Partners Ltd, AltX-listed Mettle Investments Ltd, IMDH (Pty) Ltd, Quantech (Pty) Ltd, Truckworx SA (Pty) Ltd and Brinmar (Pty) Ltd, X6688335 (Pty) Ltd, Finient (Pty) Ltd, TIG Capital (Pty) Ltd, RPC Partners (Pty) Ltd, Afri Gain (Pty) Ltd, Ten ALP Investments (Pty) Ltd, Planet INC Trading and Investments (Pty) Ltd, Eight ALP Investments (Pty) Ltd, Nine ALP Investments (Pty) Ltd, Pilatus VCC Managing Partner (Pty) Ltd.



ALBERTUS MARAIS (35)

Independent Non-executive Director
Appointed: August 2017

Representation on Trans Hex committees: Audit and Risk, Human Resources and Social & Ethics

Qualifications

BAcc LLB (Stell), PGDA (UCT), Adv Cert Taxation (UP), MComm Taxation (UCT), CA(SA)

Other appointments

Directorship of West Coast Resources (Pty) Ltd, AJM Tax, Narinatrogon (CC), Marais Trustsub (Pty) Ltd, Galaxite VC1 (Pty) Ltd, Healthy and Affordable Foods (Pty) Ltd, 12 Cape Ltd, Galaxite SUB (Pty) Ltd, Seven Seasons Trading 144 (Pty) Ltd.



ATHOL RHODA (59)

Independent Non-executive Director
Appointed: May 2017

Representation on Trans Hex committees: Audit and Risk, Human Resources and Social & Ethics

Qualifications

CTA (UCT), LLM International Taxation (UCT), CA(SA)

Other appointments

Directorship of West Coast Resources (Pty) Ltd.



PIET VILJOEN (56)

Non-executive Director
Appointed: April 2016

Representation on Trans Hex committees: Audit and Risk, Human Resources and Social & Ethics

Qualifications

BCom Hons (UP), CFA

Other appointments

Directorships of Regarding Capital Management (Pty) Ltd, (RECM) and Calibre Ltd, RAC Investment Holdings (Pty) Ltd, SENECA Investment (Pty) Ltd, Scheryn Art Collection (Pty) Ltd, Asset Lending (Pty) Ltd, Beagle Investments (Pty) Ltd, West Coast Resources (Pty) Ltd.



LLEWELLYN DELPORT (57)

Chief Executive Officer (CEO)
Appointed: July 2004

Qualifications

BSc Chem Eng (UCT), MBA (UCT)

Other appointments

Directorships of Vendu Cape (Pty) Ltd, Work Ready (Pty) Ltd, Dinoka Investment Holdings (RF) (Pty) Ltd, West Coast Resources (Pty) Ltd.



IAN HESTERMANN (52)

Executive Director: Finance
Appointed: May 2010

Qualifications

BAcc Hons (Stell), BCom Hons Taxation (Stell), CA(SA)

Other appointments

Directorship of West Coast Resources (Pty) Ltd.

TRANS HEX GROUP BOARD OF DIRECTORS



JOHN BRISTOW (67)

Independent Non-executive Director

Appointed: July 2019

Representation on Trans Hex committee: Human Resources and Social & Ethics

Qualifications

BSc Hons (UKZN), MSc (UKZN), PhD (UCT), Post-Doctoral Studies, (UNM, USA), Management of Technology (UCT Graduate School of Business)



JAMES GURNEY (48)

Alternate Director

Appointed: June 2017

Resigned: November 2018

Qualifications

BSc Hons Geochemistry (UCT)

Other appointments

Directorship of Mineral Services Group.





CHAIRMAN'S REPORT

While the business model for diamond mines hasn't changed significantly over the years, the challenges facing diamond mines have become increasingly demanding.

The mining industry as a whole is under pressure due to the uncertainty surrounding the Mining Charter and the added difficulties of illegal miners.

The year in review

Over the 2019 financial year, Trans Hex has experienced difficulties in the South African environment, and these have been countered by the positive results experienced in the Angolan operations.

Our land-based asset in South Africa, West Coast Resources (Pty) Ltd, has yielded lower-grade, smaller diamonds than anticipated. In addition, we have seen a declining price for smaller diamonds, which constitutes most of our South African production. At the same time, the costs related to security due to illegal mining issues have become prohibitive. Our marine-based asset has remained a steady contributor while Somiluana Mine in Angola has had a strong year.

Focusing on the future

We expect to see a positive outcome from the realisation of the Mining Charter and remain uncertain about the impact that synthetic diamonds will have on the industry.

We look forward to expanding our opportunities in Angola and to the continued success of our well-run Somiluana mine.

In South Africa, we have appointed a subcontractor to take over operations and management control at West Coast Resources (Pty) Ltd. Their focus will be on achieving cost efficiencies while increasing profitability.

We are also in the process of negotiating the terms and conditions of the potential disposal of our interest in the asset.

We are keenly aware of the significance of the operation to the community where the mine provides the only prospect of employment.

We remain dedicated to building a lean, streamlined business that can actively pursue new opportunities in the mining and marketing of diamonds.

A word of thanks

I would like to take this opportunity to thank James Gurney for his service. James resigned in November 2018 after serving almost 18 months on the board as an alternate director. We will continue to enjoy close ties with James and wish him the best for the future.

My thanks also go to each of our employees and contractors for their daily efforts as well as to all of our stakeholders, including our Board, management team, partners, communities and local governments, and our shareholders for their continued support.


WILLEM VENTER
Chairman



CEO'S REPORT

Trans Hex faced another challenging year, necessitating a keen focus on changing our South African business model in order to achieve a more sustainable future.

While the Angolan business has been growing financially, the 2019 financial year saw the South African business experience considerable challenges due to declining small diamond prices, lower than expected diamond grades and increasing costs relating to security.

Proactive changes at West Coast Resources (Pty) Ltd

A combination of lower diamond prices for small stones on the world market and the underperforming geological resources put us in a negative-cash-flow position at West Coast Resources (Pty) Ltd. As we do not cross-subsidise businesses, we concluded that the business had the potential to be more profitable if we were to sell the management contract to a specialist third party.

We are in the process of transferring management control of West Coast Resources (Pty) Ltd to a subcontractor who will run the operation more cost effectively.

Growth and potential in Angola

In the 2019 financial year we continued growing our business in Angola while tending to our flourishing business relationships there. The solid performance of Somiluana Mine suggests positive long-term prospects.

Strength in our relationships

I am pleased to report that our stakeholder relationships in Angola, in particular with the Angolan authorities and our local partner, are strong and improving all the time. We also benefit from steady and stable relationships in the South African environment.

Outlook

Illegal mining in South Africa provides ongoing risk to the mining industry, but we hope to see the Mining Charter address this in the near future.

I would like to thank the staff and management for their commitment to the Group over what has been a trying year for all of us.



Llewelyn Delpont
Chief Executive Officer

PERFORMANCE SUMMARY

	Average grade*	Carats produced	Average carats per stone	Average price per carat achieved (US\$)
2019 FINANCIAL YEAR STATISTICS				
South Africa				
Shallow water	83.00	7 636	0.25	491
West Coast Resources	17.20	123 884	0.23	128
Angola				
Somiluana	31.16	133 659	0.65	547
2018 FINANCIAL YEAR STATISTICS				
South Africa				
Baken	2.43	13 944	1.17	946
Bloeddrif	2.60	620	1.52	877
Shallow water	–	9 012	0.24	431
Total	2.43	23 576	0.48	827
West Coast Resources				
	27.84	173 920	0.23	153
Angola				
Somiluana	44.78	136 402	0.66	504

NOTE

1. Calculated per 100 m³ for South Africa and Angola, and per 100 tons for West Coast Resources (Pty) Ltd.

PRODUCTION

Production for the 2020 financial year is expected to be in the order of:

Shallow water operations	8 000
Angolan operations	140 000

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Overview

Results in the consolidated financial statements are compared with results for the 12 months ended 31 March 2018 ("previous corresponding period").

Restatement of the financial results for the previous corresponding period.

Business combination

The financial results of West Coast Resources (Pty) Ltd (WCR) have been fully consolidated within the Group as of 1 February 2018. Accordingly, a provisional valuation of identifiable assets acquired and liabilities assumed was made as at 31 March 2018, upon the conclusion of the 2018 financial year.

The provisional fair values were adjusted upon the finalisation of the valuations on 7 December 2018. Comparative information presented in the previous corresponding period has been revised accordingly.

Furthermore, it should be noted that the consolidation of WCR from 1 February 2018 impacted the comparability of the results for the year ended 31 March 2019 with the results for the previous corresponding period. Prior to 1 February 2018, the investment in WCR was accounted for as an investment in an associate under the equity method.

Prior period errors

The Group's financial statements were restated retrospectively with regards to the year ended 31 March 2018.

The Group reassessed the useful life of several items still in use within property, plant and equipment, in line with current assessments.

The Group measures its investment in Somiluana at amortised cost. In the prior year the Group did not estimate the future cash flows of the loan. This has now been remeasured. Refer to note 36 for further details.

Completion of sale of the Lower Orange River operations with effect from 1 April 2018

LOR operations was sold for a cash consideration of R72 million (exclusive of value added tax), which sale became effective on 1 April 2018.

In the circumstances, the results of the LOR operations for the 12 months ended 31 March 2019 are excluded from the results and only the profit from the sale is reflected, which impacts the comparability of the results with the results for the previous corresponding period (i.e. the results of the LOR operations were presented as discontinued operations in the previous corresponding period).

Sales revenue from the South African operations increased to R312.6 million (2018 (restated): R204.7 million). South African carat production reduced to 131 520 carats (2018: 197 496 carats), mainly due to WCR producing less carats and the closure of the LOR operations.

OPERATIONAL REVIEW

The cost of goods sold increased to R403.0 million compared to the previous corresponding period's restated figure of R169.5 million, mainly as a result of WCR (Pty) Ltd becoming a subsidiary of the Group on 1 February 2018.

The gross loss in 2019 amounted to R90.4 million compared to a restated gross profit of R35.2 million during the previous corresponding period.

Other gains amounted to R190.2 million, primarily due to the remeasurement of the rehabilitation provisions, which resulted in a gain of R111.2 million being recognised, foreign exchange gains amounting to R21.4 million and a fair-value gain of R51.7 million. The previous corresponding period saw other losses of R13.7 million, mainly due to loss on remeasurement of subsidiary to fair-value of R58.8 million and a gain on bargain purchase with the acquisition of subsidiary amounting to R3.3 million, fair-value gain on associate of R38.8 million and foreign exchange gains of R4.4 million.

Other operating expenses amounted to R63.9 million compared to R66.4 million during the previous corresponding period, the reduction mainly due to selling and administrative expenses decreasing by R6.8 million and explorations costs increasing by R3.8 million.

Profit before tax from the South African continuing operations amounted to R63 million compared to a restated loss of R14.3 million during the previous corresponding period.

Profit from the Angolan continuing operations amounted to R95.5 million (2018 (restated): profit of R73.3 million), consisting of Somilwana's equity accounted profit of R50.4 million (2018 (restated): profit R47.5 million), a fair-value gain of R51.7 million (2018 (restated): R38.8 million) less Angolan head office costs of R6.6 million (2018: R11.2 million).

Finance income was R16.0 million compared to R25.0 million during the previous corresponding period.

Finance costs were R39.3 million compared to R33.0 million during the previous corresponding period.

After-tax profit for the year from continuing operations amounted to R64.7 million (2018 (restated): loss of R16.0 million).

Profit from the discontinued operations amounted to R79.3 million (2018: loss of R213 million), consisting of a profit from the Luarica and Fucaúma operations of R1.5 million (2018: profit of R2.3 million) and a profit from the LOR operations of R77.8 million (2018: loss of R215.3 million) directly attributable to the proceeds from its sale.

The Group, therefore, reports a profit for the year of R144.1 million (2018 (restated): net loss of R229.0 million).

The Group acquired prospecting rights during the current period of R9.9 million.

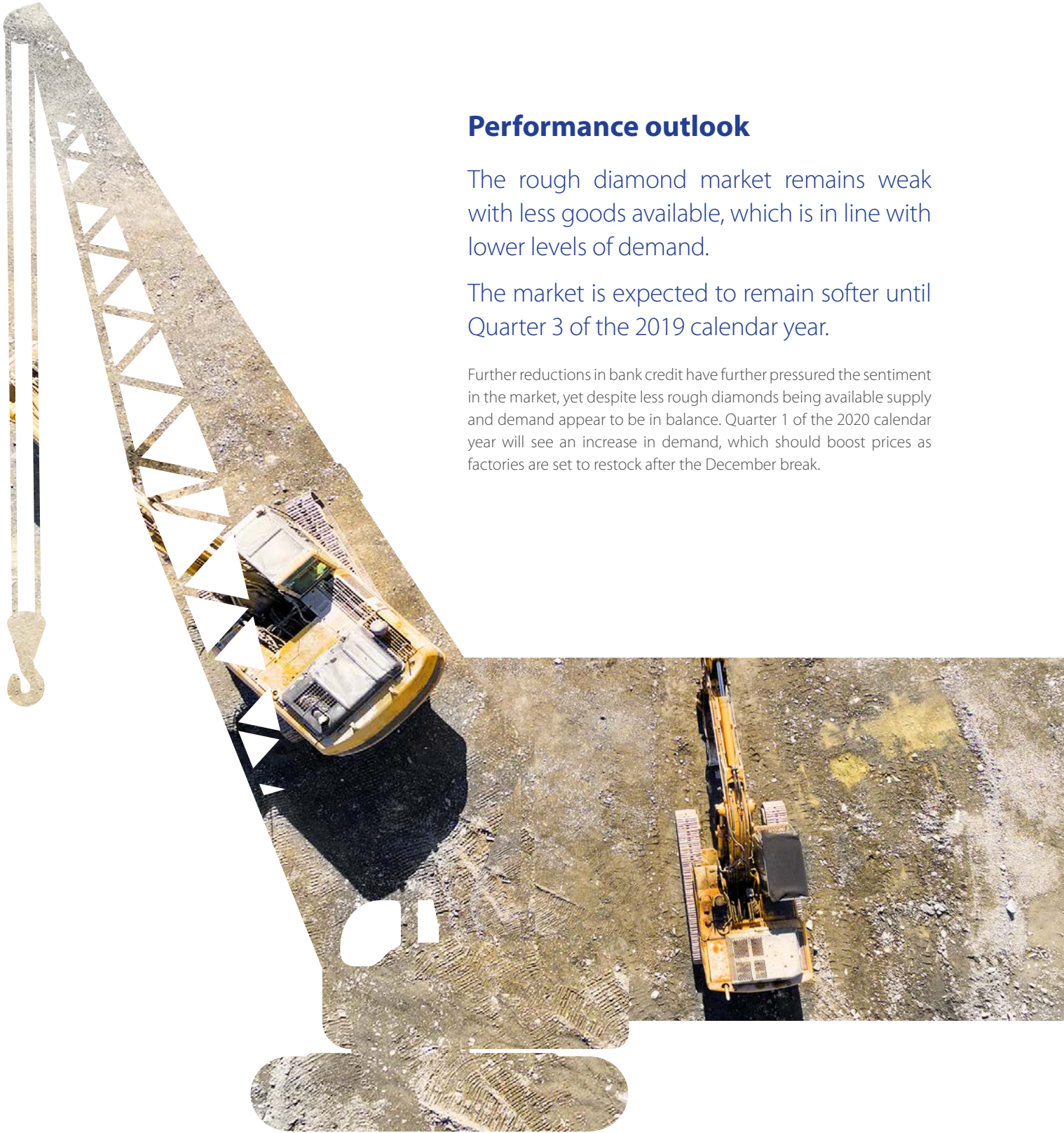
Cash and cash equivalents at the end of the year amounted to R65.5 million (2018: R79.4 million).

Performance outlook

The rough diamond market remains weak with less goods available, which is in line with lower levels of demand.

The market is expected to remain softer until Quarter 3 of the 2019 calendar year.

Further reductions in bank credit have further pressured the sentiment in the market, yet despite less rough diamonds being available supply and demand appear to be in balance. Quarter 1 of the 2020 calendar year will see an increase in demand, which should boost prices as factories are set to restock after the December break.



OPERATIONAL REVIEW

Mining operations

Shallow water operations	South Africa
<p>Overview</p> <p>Trans Hex's shallow water operations are based off the Western Coast of South Africa and consist of operations at De Punt (southern area) and Port Nolloth (northern area).</p> <p>The diamonds mined here are generally found close to the bedrock and are deposited in high-energy environment sediments containing pebbles, cobbles and boulders. These sediments commonly owe their existence to storm beach deposits along the base lines of low cliffs that back wave-cut terraces.</p> <p>The shallow water concessions are mined and prospected by contracted sea vessels, shallow water shore-units and beach-mining units.</p> <p>The majority of these contractors are derived from the surrounding local communities and the boats are based at Lamberts Bay, Doring Bay, Hondeklip Bay and Kleinzee.</p> <p>Gravel is offloaded at various points and transported to the diamond extraction facilities at De Punt, which includes a 25 ton/hour DMS plant and a final recovery plant featuring X-ray technology.</p> <p>Operations report and outlook</p> <p>Production at the shallow water operations during the year decreased by 15% to 7 636 carats compared to 9 012 carats in 2018. The average stone size amounted to 0.25 carats per stone (2018: 0.24 carats per stone).</p> <p>As shallow water diamond mining is highly dependent on weather and sea conditions, the significant decrease in carats produced was mainly a direct result of a decrease in sea days and thus less gravel treated.</p> <p>The shallow water operations have followed an established business model since 2009 and no meaningful developments or changes are planned for the 2020 financial year.</p>	<p>Production: 7 636 carats (2018: 9 012 carats)</p> <p>Average stone size: 0.25 carats per stone (2018: 0.24 carats per stone)</p> <p>Average price per carat: US\$491 (2018 US\$431)</p>

West Coast Resources (Pty) Ltd	South Africa
<p>Overview</p> <p>West Coast Resources (Pty) Ltd (WCR) is situated approximately 60 km south of Port Nolloth along the West Coast of the Northern Cape and spans a total geographical area of more than 2 750 km². WCR is owned by Trans Hex Group Ltd (67.2%), the Department of Public Enterprises (20.0%), Dinoka Investment Holdings (Pty) Ltd (8.8%) and the Namaqualand Diamond Fund Trust (4.0%).</p> <p>WCR operates two washing and screening plants. The KN 6 869 mining area plant facilitates the treatment of the gravel from northern ore bodies of the Koingnaas Complex (KNC), and the Langklip washing and screening plant treats gravel from the southern ore bodies of the KNC. Both the plants' gravel is treated by the Langklip DMS (dense media separation) plant. WCR operates a final recovery plant at Kleinzee using Bourevestnik X-ray sorting technology. Improvements to all three plants were completed in the year under review.</p> <p>Trans Hex has been contracted by WCR to manage its Namaqualand operations. Trans Hex provides technical and management support, intellectual property, systems, procedures and governance guidance.</p> <p>Operations report and outlook</p> <p>During the year, production amounted to 123 884 carats compared to 173 920 carats in 2018. Sales amounted to R240.5 million at an average price of US\$128 per carat (2018: sales of R302.5 million at an average price of US\$153 per carat).</p> <p>The average grade decreased by 38.2% to 17.2 carats/100 tons compared to 27.84 carats/100 tons in 2018 due to lower than expected grades achieved in targeted channel blocks. The average stone size amounted to 0.23 carats per stone (2018: 0.23 carats per stone).</p> <p>Trans Hex is in the process of negotiating the terms and conditions of the potential disposal of its shares in WCR to Kernel Resources. In anticipation thereof, and to ensure undisturbed continuity of WCR's Namaqualand operations, the parties have entered into a management and mining services agreement, whereby WCR has appointed Kernel Resources as an independent contractor to perform management and mining services in connection with the Namaqualand operations.</p>	<p>Production: 123 884 carats (2018: 173 920 carats)</p> <p>Average grade: down 38% to 17.20 carats/100 tons (2018: 27.84 carats /100 tons)</p> <p>Average stone size: 0.23 carats per stone (2018: 0.23 carats per stone)</p> <p>Average price per carat: US\$128 (2018: US\$153)</p>

These operations celebrated 9 971 fatality-free shifts in March 2019.

OPERATIONAL REVIEW

Mining operations continued

Somiluana Mine	Angola
<h3>Overview</h3> <p>Somiluana Mine is located approximately 1 000 km north-east of Luanda in the diamond-rich but underdeveloped province of Lunda Norte. Trans Hex operates and holds a 33% stake in the mine, while Endiama, the state diamond company, holds a 39% stake; the balance of the shares is collectively held by three local companies.</p> <h3>Operations report and outlook</h3> <p>During 2019, production at Somiluana amounted to 133 659 carats at an average grade of 31.16 carats/100 m³ (2018: 136 402 carats at an average grade of 44.78 carats/100 m³). Total sales amounted to US\$70.4 million at an average price of US\$547 per carat (2018: US\$66.3 million at US\$504 per carat).</p> <p>Operations during the year focused exclusively on diamond-bearing Calonda Formation gravels and 90% of production originated from the Nzagi Valley and the balance from the Lulau area and test blocks.</p> <p>The mine purchased mining equipment and started to implement other projects geared towards accelerating drilling programmes of identified target areas and increasing its gravel treatment and diamond recovery capacities. The mine is pursuing an aggressive drilling programme in order to identify new resources in Calonda Formation gravels, as well as terraces and floodplains.</p> <p>During the 2020 financial year, mining operations will continue on the east bank of the Luana River at Nzagi, in the south-west at Lulau, and at other areas currently being evaluated.</p> <p>Production results and geological work through drilling and bulk-sampling indicate that carat production for the 2020 financial year is expected to be in the order of 140 000 carats, compared to 2019 financial year actual production of 133 659 carats.</p>	<p>Production: 133 659 carats (2018: 136 402 carats)</p> <p>Average grade: 31.16 carats/100 m³ (2018: 44.78 carats/100m³)</p> <p>Average stone size: 0.65 carats per stone (2018: 0.66 carats per stone)</p> <p>Average price per carat: US\$547 (2018: US\$504)</p>

Diamond resources and diamond reserves statement

Competent person and general compliance

The diamond resources and diamond reserves estimates presented in this Annual Integrated Report were prepared in accordance with the Trans Hex Group Diamond Resource Reporting Policy NB-DR-01 Standards. These standards require that the South African Mineral Resource Code for Reporting of Exploration Results 2016 (SAMREC Code) be used as a minimum standard.

The Group's diamond resources and diamond reserves for Somiluana, WCR and the Marine Division concessions, have been prepared by the Company's competent person, Mr SBE Damons (BSc Geology, Cert Sci Nat 200032/16, GSSA 969098, 405 Voortrekker Road, Parow, 7500), who is duly registered with the South African Council for Natural Scientific Professions (SACNASP; www.sacnasp.org.za; physical address: Council for Geoscience Buildings, 3rd Floor 280 Pretoria Road, Silverton, 0127, Gauteng, South Africa) and the Geological Society of South Africa (GSSA; www.gssa.org.za; postal address: PO Box 91230, Auckland Park, Johannesburg, 2006, South Africa) as required by South African law.

Mr Damons has 13 years' relevant experience in the estimation of diamond resources and reserves. This ensures that the mineral resource statements are compliant with the SAMREC Code. The Company's competent person has taken into account the definitions included in the SAMREC Code and the diamond resource and diamond reserve quantities reported here are considered to be fully compliant in all material respects with the requirements of the SAMREC Code and the competent person has given written confirmation of such.

Trans Hex Group holds a 67.2% stake in West Coast Resources (Pty) Ltd in South Africa. Trans Hex Angola, a 100% subsidiary of Trans Hex Group, holds a 33% stake in Somiluana in Angola.

Resources reflected in the Marine Division are held

by Trans Hex Operations, a 100% subsidiary of Trans Hex Group.

The Company's environmental obligations are managed in terms of approved environmental management plans. Compliance with the plans is audited by independent external parties on a regular basis. Details of the environmental liabilities are contained in note 18 to the 2019 annual financial statements on page 114 and details of the funding of the environmental liabilities are contained in note 8 to the 2019 annual financial statements on page 104.

The exploration activities were not regarded as material in relation to the mining activities.

Further to this, the financial risk management section on pages 141 to 143 of this Annual Integrated Report analyses potential risks, which may impact the Company's ability to continue its activities.

Group diamond resources and diamond reserves

The tables on pages 22 to 25 summarise the diamond resources and diamond reserves of Trans Hex Group for both the year under review and previous financial year. diamond resources are reported inclusive of diamond reserves.

The estimates of diamond resources and Diamond Reserves are stated as at 31 March 2019. The figures in the tables have been rounded off and, if used to derive totals and averages, minor differences with stated results could occur.

Diamond reserves are dynamic and are more likely to be affected by fluctuations of the diamond prices, uncertainties in production cost, processing costs, other mining, infrastructure, legal, environmental, social and governmental factors, which may impact the financial condition and prospects of the Group.

OPERATIONAL REVIEW

Diamond resources and diamond reserves statement continued

LAND DIVISION

Probable diamond reserve

31 March 2019					
PROJECT NAME	Overburden (m³)	Gravel (m³)	Grade (carats/100 m³)	Carats	US\$/carat
SOUTH AFRICA					
West Coast Resources	17 280 191	1 435 049	31.78	456 050	124
ANGOLA					
Somiluana*	346 081 595	14 460 171	36.84	5 327 133	458
TOTAL	363 361 786	15 895 220	36.38	5 783 183	

*Somiluana grades are reported as run-of-mine (ROM) grades, i.e. bulk and diluted at a bottom screen cut-off of 1.6 mm.

Indicated diamond resources

31 March 2019					
PROJECT NAME	Overburden (m³)	Gravel (m³)	Grade (carats/100 m³)	Carats	US\$/carat
SOUTH AFRICA					
Baken	n/a	n/a	n/a	n/a	n/a
Bloeddrif	n/a	n/a	n/a	n/a	n/a
Reuning	n/a	n/a	n/a	n/a	n/a
West Coast Resources	69 699 452	5 673 760	18.78	1 065 309	123
ANGOLA					
Somiluana*	444 806 165	15 073 292	50.06	7 545 658	431
TOTAL	514 505 618	20 747 052	41.57	8 610 967	

*Somiluana grades are reported as run-of-mine (ROM) grades, i.e. bulk and diluted at a bottom screen cut-off of 1.6 mm.

Probable diamond reserve

31 March 2018					
PROJECT NAME	Overburden (m³)	Gravel (m³)	Grade (carats/100 m³)	Carats	US\$/carat
SOUTH AFRICA					
West Coast Resources	10 853 974	1 189 325	37.34	444 122	151
ANGOLA					
Somiluana*	85 155 686	4 453 005	43.76	1 948 832	449
TOTAL	96 009 660	5 642 330	42.41	2 392 954	

*Somiluana grades are reported as run-of-mine (ROM) grades, i.e. bulk and diluted at a bottom screen cut-off of 1.6 mm.

Indicated diamond resources

31 March 2018					
PROJECT NAME	Overburden (m³)	Gravel (m³)	Grade (carats/100 m³)	Carats	US\$/carat
SOUTH AFRICA					
Baken	48 316 758	21 550 334	1.26	270 486	810
Bloeddrif	34 713 897	31 072 438	0.53	163 197	1058
Reuning	3 862 366	6 362 420	0.57	36 361	902
West Coast Resources	75 961 217	5 759 029	19.23	1 107 541	149
ANGOLA					
Somiluana*	193 040 327	9 330 326	38.80	3 620 008	342
TOTAL	355 894 565	74 074 547	7.02	5 197 593	

*Somiluana grades are reported as run-of-mine (ROM) grades, i.e. bulk and diluted at a bottom screen cut-off of 1.6 mm.

OPERATIONAL REVIEW

Diamond resources and diamond reserves statement continued

LAND DIVISION

Inferred diamond resources

31 March 2019					
PROJECT NAME	Overburden (m³)	Gravel (m³)	Grade (carats/100 m³)	Carats	US\$/carat
SOUTH AFRICA					
Baken	n/a	n/a	n/a	n/a	n/a
Bloeddrif	n/a	n/a	n/a	n/a	n/a
Reuning	n/a	n/a	n/a	n/a	n/a
West Coast Resources	697 755 225	41 324 346	9.30	3 841 763	124
ANGOLA					
Somiluana*	610 675 608	30 114 761	14.85	4 473 312	363
TOTAL	1 308 430 833	71 439 107	11.64	8 315 075	

*Somiluana grades are reported as run-of-mine (ROM) grades, i.e. bulk and diluted at a bottom screen cut-off of 1.6 mm.

Inferred diamond resources

31 March 2018					
PROJECT NAME	Overburden (m³)	Gravel (m³)	Grade (carats/100 m³)	Carats	US\$/carat
SOUTH AFRICA					
Baken	33 434 597	61 691 404	0.68	420 879	810
Bloeddrif	20 600 548	19 504 290	0.44	84 972	1058
Reuning	20 748 545	28 692 017	0.51	146 441	902
West Coast Resources	668 202 013	41 452 543	9.65	4 001 933	149
ANGOLA					
Somiluana*	446 637 645	27 151 589	11.48	3 117 415	289
TOTAL	1 209 623 348	178 491 843	4.28	7 771 640	

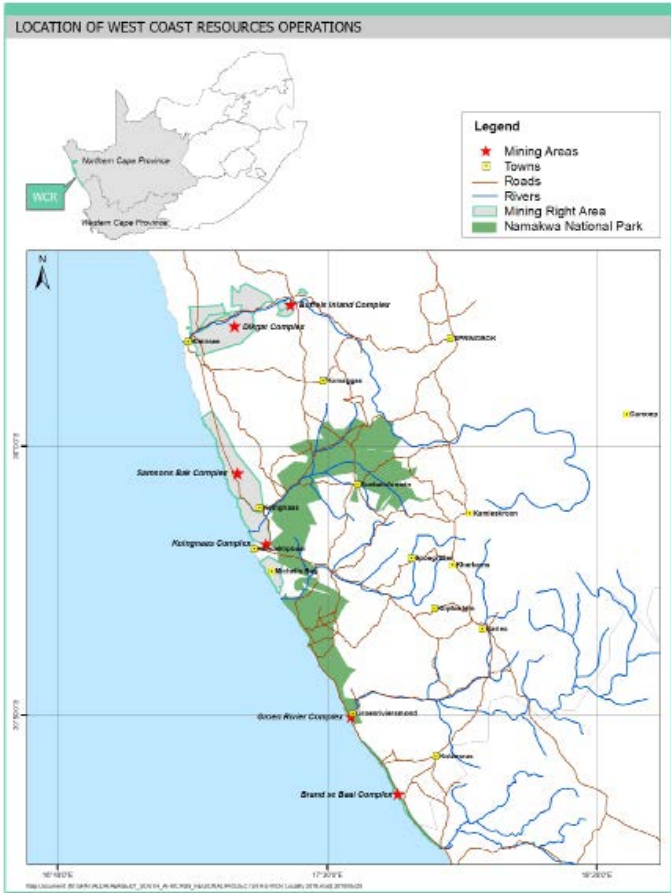
*Somiluana grades are reported as run-of-mine (ROM) grades, i.e. bulk and diluted at a bottom screen cut-off of 1.6 mm.

OPERATIONAL REVIEW

Diamond resources and diamond reserves statement continued

West Coast Resources (Pty) Ltd

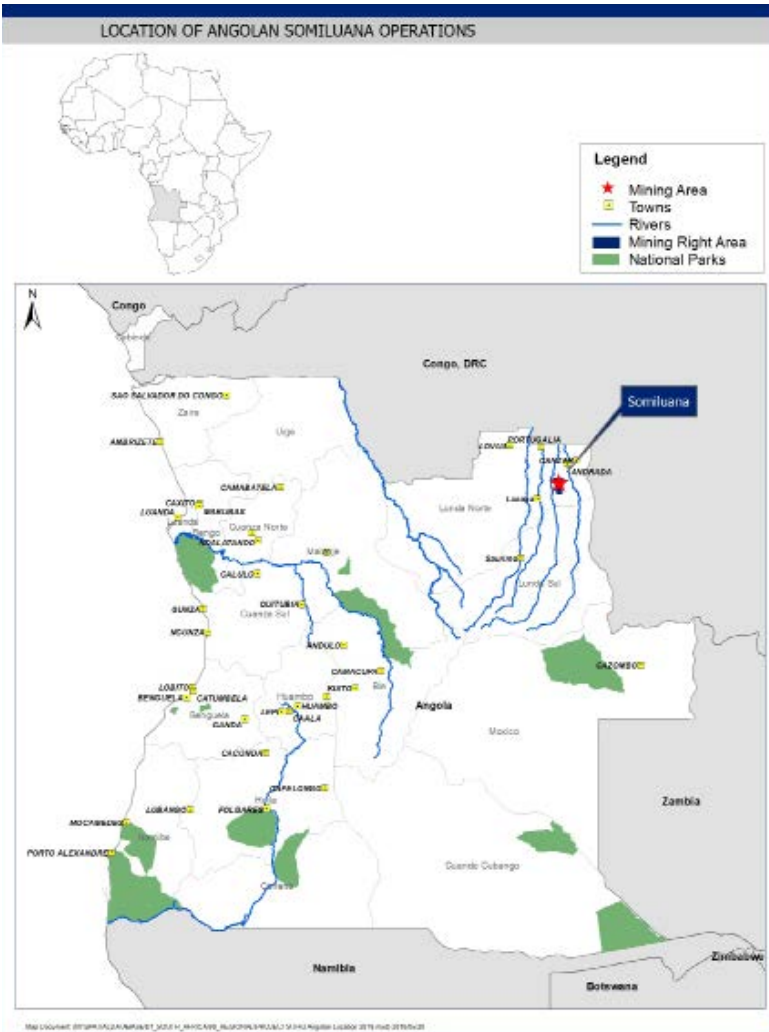
A total of 123 884 carats was recovered during the year from the Mitchell's Bay and Kleinsee final recovery tailings area, at an average grade of 17.2 carats/100 m³, with an average stone weight of 0.23 carats per stone.



At WCR, the total carat resource decreased by 4%. This is primarily due to depletion through mining activities.

The indicated resources carats decreased by 3.8% and the inferred resources by 4% i.e. a decrease of 202 402 carats in total. All resources for these operations are quoted as recoverable in situ grades at a bottom screen cut-off of 1 mm. The estimates of diamond resources and diamond reserves are stated as at 31 March 2019.

Angola



Production activities recovered 133 659 carats at an average grade of 31.16 carats/100 m³ and an average stone size of 0.65 carats/stone.

Total project diamond resources and diamond reserves are shown for Somilua Mine. Trans Hex's attributable share is 33%, in line with the Group's shareholding. All grades are reported as ROM grades, i.e. bulked and diluted at a bottom screen cut-off of 1.6 mm.

Total carats in reserve at Somilua Mine increased by 173% due to favourable diamond prices, lower operation unit costs and additional resources that were reclassified from inferred to indicated. The project resource increased by 78% due to new resource blocks that were delineated during the 2018/19 resource review, based on an increased confidence in the geological model through drilling, bulk-sampling and grades based on actual mining.

OPERATIONAL REVIEW

Diamond resources and diamond reserves statement continued

31 March 2019 Diamond resources						
INDICATED				INFERRED		
Concession	Area (m²)	Grade (carats/m²)	Carats	Area (m²)	Grade (carats/m²)	Carats
2b	1 604 475	0.11	168 136	1 571 025	0.06	93 000
3b	424 875	0.09	36 691	691 375	0.04	28 665
11b	83 000	0.04	3 320	–	–	–
13b	72 169	0.05	3 608	–	–	–
TOTAL	2 184 519	0.10	211 755	2 262 400	0.05	121 665

Notes:
No marine resources are stated for the shallow-water areas (<25 m water depth).
In these areas the mineralisation is generally erratic and the lack of suitable technology to sample this zone has prevented definitive resource delineation.

Notes on reporting criteria

Diamond resources of Trans Hex were mined in terms of mining rights allocated to entities within the Group by local authorities.

Trans Hex has been mining alluvial diamond deposits for more than 50 years and has always undertaken systematic and structured exploration and sampling activities in accordance with sound diamond placer mineral resource practices, i.e.:

- A sound geological model forms the basis for resource boundary delineation of homogeneous deposits.
- Appropriate sampling tools and methodologies are applied, taking sample density and sample support requirements into consideration.
- Revenue estimates are done per homogeneous diamond population and refined locally on a block scale based on the average stone size. Linear equations are calculated for major mining areas based on the relationship between known revenue and estimated stone size. Average US\$/carat estimates are produced per unique population.
- Ore block boundaries are chosen by the responsible geologist based on reverse circulation drilling and sampling information.
- A bedrock contour plan, gravel development plan and gravel thickness plan are developed from all available information to guide the selection of the block boundary. It is important to note that the generation of payable mineral resources is also considered when deciding on a block boundary.

The breakdown of mineral resources and mineral reserves into respective confidence categories is determined in a semi-quantitative classification technique that analyses confidence in volume, grade, density, diamond value and geological model.

The confidence that is assigned refers collectively to the reliability of the grade and volume estimates. This reliability includes consideration of the fidelity of the base data, the geological continuity predicated by the level of understanding of the geology, the likely precision of the estimated grades and understanding of grade variability, as well as various other factors that may influence the confidence that can be placed on the mineral resource.

Diamond resource estimation methodology is generally done on averaging of sample results within a particular block boundary for block grade, block stone size and block gravel thickness.

Diamond resources have been converted to diamond reserves by the application of various modifying factors in accordance with the SAMREC Code. Mining modifying factors include a suite of operating costs, ore losses, dilution, mining recoveries and revenue estimates.

Non-mining modifying factors considered include environmental, legal, social and governmental. No legal or other proceedings have come to the attention of management that could have an effect on Trans Hex's exploration or mining activities.

Trans Hex Group – list of mining rights

Reference number	Description	Holder
NC 519 MR	Sea Area 2B	Trans Hex Operations*
WC 112 MR	Sea Area 11A	Trans Hex Operations*
WC 47 MR	Farm 423 & Surf Zone Area	Trans Hex Operations*
NC 88 MR	Hondeklipbaai & Sea World State Land	Trans Hex Operations*
NC 531 MR	Richtersveld	Trans Hex Operations *
WC 316 MR	Papendorp	Trans Hex Operations*
WC 318 MR	Hollebaksfontein	Trans Hex Operations*
WC 314 MR	De Punt	Trans Hex Operations*
WC 315 MR	Bethel 278	Trans Hex Operations*
WC 317 MR	Strykloof	Trans Hex Operations*
WC 319 MR	Weskus	Trans Hex Operations*
NCS 539 MR	Brazil	Trans Hex Operations*
NCS 540 MR	Sea Area 5B	Trans Hex Operations*
NCS 541 MR	Sea Area 5A	Trans Hex Operations*
NCS 542 MR	Sea Area 3B	Trans Hex Operations*
NCS 544 MR	Sea Area 6A	Trans Hex Operations*
NCS 543 MR	Sea Area 7A	Trans Hex Operations*
WC 321 MR	Sea Area 12A	Trans Hex Operations*

Reference number	Description	Holder
WC 320 MR	Sea Area 13A	Trans Hex Operations*
WC10252PR	Sea Area 11B Prospecting	Trans Hex Operations*
WC10253PR	Sea Area 13B Prospecting	Trans Hex Operations*
1076/18/RM/ DNLCM/2011	Angola	Trans Hex Angola (100% subsidiary of Trans Hex Group) A joint-venture company with five partners was established called Somiluana – Sociedade Mineira, SA. Trans Hex Angola holds a 33% stake in the company
NC 509 MR	Verdun	West Coast Resources [#]
NC 521 MR	Buffels Inland	West Coast Resources [#]
NC 522 MR	Koingnaas	West Coast Resources [#]
NC 523 MR	Brand se Baai	West Coast Resources [#]
NC 524 MR	Dikgat	West Coast Resources [#]
NC 525 MR	Samson's Bak	West Coast Resources [#]

*Trans Hex Operations (Pty) Ltd is a 100% subsidiary of the Trans Hex Group Limited.
Trans Hex holds 67.2% stake in West Coast Resources (Pty) Ltd.



SUSTAINABLE DEVELOPMENT AND MINING CHARTER REPORT

- updating its values and practices to reflect international norms and to meet stakeholder expectations.

Safety, health and environmental management

The Trans Hex Safety, Health and Environment Group Standards protocol sets standards and minimum requirements for:

- risk assessment;
- incident investigation;
- projects and resources;
- occupational health;
- operational activities and contractor management;
- emergency preparedness; and
- performance and compliance auditing.

The Company continuously strives to maintain and improve upon the high standards that have been set and employees are encouraged to follow best practices while expanding their skills and knowledge to ensure a safer working environment.

The two main drivers behind Trans Hex's efforts to achieve zero injuries are the back-to-basics principle and management's leadership and commitment.

The back-to-basics principle ensures that:

- hazard identification and risk assessments are reviewed on a continuous basis;
- codes of practice and standard operating procedures are in place and implemented;
- all employees receive risk-based training on the codes of practice and standard operating procedures applicable to them;
- daily planned task observations/onsite internal audits are conducted; and
- all applicable rules and standards are implemented.

Management leads from the front by:

- following a visible, felt leadership approach;
- being accountable for their team's health and safety performance;
- being empowered (trained, coached and mentored) to continuously ensure adherence to health and safety practices in their areas of responsibility;
- demonstrating that they care about the well-being of their team;
- acting as role models and living the vision of 'zero injuries'; and
- empowering employees to stop work when conditions are deemed unsafe (Section 23 MHSA).

Additionally, Trans Hex proactively identified the risk of allowing mobile phones, tablets and cameras into its mining areas and implemented appropriate policies and procedures to address this aspect and ensure effective enforcement of Company rules.

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Sustainable development

Guided by the principles of King IV, Trans Hex has due regard for the impact it has on the social, economic and natural environments in which it operates. The Company views sustainability as protecting and growing value for the benefit of all stakeholders, while working to eliminate any negative impacts from its operations on these constituencies. The Company allocates funding and makes expertise and business skills available to protect and develop the environments in which it conducts business.

This is accomplished by:

- taking economic, social and environmental risks and opportunities into account at decision-making forums at all levels, and considering these key elements in the Group's overall business strategy;
- being an efficient, ethical and value-creating business;
- creating meaningful employment in safe and healthy environments;
- reducing its environmental impact and contributing to biodiversity management;
- committing to innovation, technology and process improvement;
- creating partnerships with key stakeholders to address social issues such as HIV/Aids and rural development; and

Occupational health and safety

Trans Hex's health and safety programme aims to:

- improve occupational health and safety awareness;
- implement and maintain an effective health and safety management system;
- enhance legal compliance through internal audits and the implementation of industry best practice;
- minimise or eliminate risk to employees;
- prevent injuries to employees and damage to Company property by applying the root-cause analysis technique;
- encourage safe behaviour; and
- improve the well-being of all employees, with a special focus on fatigue management and HIV and TB awareness.

The Company aims to achieve zero injuries at all its operations by instilling in each employee the understanding that they are responsible for their own health and safety (Section 22 MHSA) and that of their colleagues. By following a philosophy that commits to safety second by second, minute by minute and hour by hour, Trans Hex has achieved significant milestones, including four fatality-free years at the WCR operations.

SUSTAINABLE DEVELOPMENT AND MINING CHARTER REPORT

Medical surveillance programme

Monitoring by an occupational medical practitioner, occupational health surveillance staff and the Chief Health and Safety Officer takes place on a weekly basis.

The occupational medical practitioner, with the assistance of an occupational nurse, submits monthly reports to the Department of Mineral Resources' Medical Inspector of Mines, Northern Cape Region with regard to HIV and TB.

Health and safety management systems

Regular internal audits of the Trans Hex safety management system are conducted to ensure compliance and to highlight shortcomings. Continuous improvement is monitored against agreed action plans being implemented and executed.

Regular inspections, follow-ups and observations are used to assess safety behaviour. Key elements such as risk assessments, planned inspections, task observations, fatigue management of employees, and communications form part of day-to-day safety management.

Workplace health and safety representatives are appointed per work area at all operations. The Chief Health and Safety Officer oversees these representatives ensuring effective implementation of the health and safety system and more effective communication with key stakeholders.

Building a health and safety culture

Trans Hex continually promotes a culture within the organisation that is focused on health and safety. Proven communication methods include the daily five-minute safety talk and sharing of important safety-related information through the safety newsflash. At every shift change, the entire team discusses a safety topic and records are kept of these discussions. The Group's health and safety culture is further bolstered by team-building workshops attended by all health and safety officers.

This multi-level approach, which involves every employee, is delivering returns in terms of health and safety results. Management remains committed to enabling sound health, safety and environmental practices, and continues to be accountable for enhancing health, safety and environment compliance.

Risk assessments

Continuous risk assessments are an integral part of the safety management system and a requirement of the Mine Health and Safety Act (MHSA), No. 29 of 1996. Baseline risk assessments and regular risk reviews are conducted on an ongoing basis.

Accident investigations

Every incident has the potential for severe consequences. Health and safety officials investigate all safety incidents to identify risk-taking behaviour or risk situations, implement remedial actions in order to prevent similar incidents from recurring, and share lessons learnt from the incident.

Accident record and statistics

The primary objective of Trans Hex's safety programme is to minimise all types of injuries with a target lost-time injury frequency rate of less than 0.5. Key elements of the strategy to achieve this are:

- reducing absenteeism to minimise safety risks;
- encouraging 'near miss' reporting;
- eliminating property damage; and
- encouraging team performance.

Frequency rates are calculated for five categories: fatal-injury frequency rate, reportable-injury frequency rate, disabling-injury frequency rate (DIFR), lost-time-injury frequency rate and minor-injury frequency rate. All are calculated on a financial year and based on 200 000 man-hours worked, as per the NOSA formulas.

Trans Hex Group safety performance

	2015	2016	2017	2018	2019
Number of disabling injuries	2	2	3	3	0
DIFR	0.18	0.20	0.36	0.35	0
Change (year on year) %	200	7	42	(2)	

Statistics for 2015–2017 include LOR operations and shallow water projects only; 2018–2019 include West Coast Resources (Pty) Ltd.

Environment

Trans Hex manages the environmental impact of its operations through the application of the Group Environmental Policy, which defines minimum standards. This policy considers the appropriate legislative requirements and, in particular, makes provision for the Mineral and Petroleum Resources Development Act, No. 28 of 2002 (MPRDA), National Environmental Management Act, No. 107 of 1998 and the National Water Act, No. 36 of 1998. Site-specific tools have been developed to implement the Group Environmental Policy.

Environmental management

Trans Hex's operations implement environmental management programmes (EMPs) that have been approved in terms of the Minerals Act, No. 50 of 1991. These EMPs are aligned with the requirements of the MPRDA and are constantly revised to take into account any changes in prospecting and mining operations. A Group environmental implementation system provides for ongoing monitoring of activities that have the potential to impact the natural environment.

The rehabilitation process is a primary consideration from the outset of mine planning. The 'backfill method' is used to rehabilitate mined areas, which involves returning overburden stripped from excavated areas.

Environmentally sensitive areas, such as graves and archaeological sites, are fenced off and marked to protect them from being disturbed by mining activities.

Environmental incident reporting is encouraged during monthly meetings to enable timeous corrective actions and to avoid recurrence.

External environmental performance auditing

Regular internal audits assess compliance with the commitments set out in the EMPs, and external audits commissioned every two years provide assurance on the Company's environmental management performance against these indicators.

These audits also measure the relevance of existing EMPs to current mining operations and identify areas for improvement and ways to integrate corrective actions into daily operations.

Environmental impact assessments are conducted when there are any changes to the mining or processing operations, or with the introduction of significant new mining equipment. The results are shared with the relevant stakeholders, including regulatory authorities.

Waste management

Trans Hex has a comprehensive waste management programme to ensure the minimisation and recycling of waste where appropriate and the responsible disposal of waste where necessary.

SUSTAINABLE DEVELOPMENT AND MINING CHARTER REPORT

This programme includes:

- removing all identified scrap at various areas where it has accumulated;
- identifying salvage areas for plant and engineering re-use;
- allocating recycling bins to ensure separation of different types of waste;
- collecting and disposing of general waste at licensed waste-disposal sites; and
- collecting hazardous waste, including batteries, fluorescent tubes, used oil lubricants, oil filters and oily rags, and storing it properly in designated areas until it is collected by an approved contractor.

There are licensed domestic waste disposal sites located within each of the operations for ease of disposal. Hazardous waste is collected by service providers for disposal.

Lower Orange River Operations

Hydrocarbon rehabilitation and soil remediation are performed in line with the minimum requirements set out by the Department of Human Settlements, the Department of Water and Sanitation and the Department of Environmental Affairs, Forestry and Fisheries. Environmental authorisation for the establishment of a soil remediation plant was granted in August 2015 for the (LOR) operations as it was the biggest operation at the time and the plant was constructed in November 2015. The plant helped prevent water pollution and ensured that contaminated areas were properly rehabilitated.

West Coast Resources (Pty) Ltd and Shallow waters

Hydrocarbon waste is placed in drums and collected by a certified waste transporter to be disposed of.

Ferrosilicon, the heavy-medium separation material used in all the Company's extraction plants, is an inert substance and poses no threat to the environment. However, potential losses of ferrosilicon are closely monitored.

Water and energy management

Water and energy are key components in diamond mining and processing, but both are limited resources that need to be managed responsibly. It is, therefore, crucial that Trans Hex employs efficient processes to minimise the use of water and energy.

Both the West Coast Resources (Pty) Ltd and shallow waters operations utilise sea water for production. Sea water abstraction is not licensed and we abstract approximately 3 120 000m3/a per plant for WCR and 96 000 m3/a for the shallow waters operation at De Punt. WCR has utilised approximately 1 027 352m3/a through the return water system at the slimes dams whereas De Punt has no return water system and has utilised about 96 000 m3/a. The clean water seepage from the slimes dam is released back into the sea through pipeline.

Water samples are taken quarterly for analysis at a laboratory in order to monitor the water quality for human consumption as well as any possible impacts of the slimes on the ground water.

Environmental awareness initiatives are being undertaken to enhance environmental management in general.

Human resource development

Staff complement

As at 31 March 2019, the Group's South African workforce totalled 156 permanent employees. An additional 446 people were employed through joint ventures, associates and contractors. In Angola, Somilua employed a total of 719 people.

Equal opportunities

The Group is committed to providing equal opportunities to prospective and current employees in all spheres of its business. Measures have been taken to eliminate all discriminatory provisions, to eliminate barriers to employment, and to advance diversity in the workplace. All new appointments are made in compliance with the Group's employment equity targets and comprehensive plans for the training and development of employees from the designated groups have been adopted.

Recruitment policy

The Group recruits employees within the parameters of its recruitment policies based on best practices in human resources management. Vacancies are filled by the best available candidates and without unfair discrimination on any grounds.

The Group aims, as far as possible, to source employees from local communities and does not use migrant labour. Wherever possible, preference is given to black people, women and people with disabilities to ensure that the workforce is representative of the demographics of the various regions in which the Group operates.

Employer/employee relations

Working with trade union representatives, the Group uses a variety of participative structures to achieve sound employer/employee relations through effective sharing of relevant information, regular consultation and the early identification and resolution of potential conflict.

These structures include future forums, collective bargaining mechanisms, health and safety committees, training and development forums, employee-wellness structures and regular project-level meetings between management and employee representatives.

Employee training and development

The Group is committed to promoting a culture of continuous learning and development, and therefore investment in human resource development remains a key focus area. Various training and development programmes are identified and implemented in order to meet the Group's strategic objectives, and to improve operational and individual performance. Skills development planning includes training that supports the requirements of employees' current positions as well as for accelerated development within career path opportunities aligned to the Group's employment equity strategies.

The Company recognises the importance of skills portability and, therefore, ensures that many of the skills provided to employees, as a core business competence, are transferable to other mining operations and beyond the mining industry. Where possible, all training and development programmes are offered through South African Qualifications Authority-accredited service providers and are aligned to the National Qualifications Framework.

Programmes include on-the-job training, learnerships, short courses, skills programmes, recognition of prior learning programmes, certificate courses, as well as tertiary-level diplomas and degrees.

The Group submits its Workplace Skills Plan and Annual Training Report, in consultation with trade unions and employees, to the Mining Qualifications Authority (MQA) annually.

SUSTAINABLE DEVELOPMENT AND MINING CHARTER REPORT

Employee learnerships and artisan learning programmes

Trans Hex is cognisant of the lack of skilled artisans in the country and continues to help address this challenge by growing its own artisan base. During the 2019 financial year, two employees' attended recognition of prior learning programmes in the following trades:

- Fitter and turner
- Boilermaking

Employee bursaries

Employees are encouraged to apply for bursary assistance in order to further their development. During the reporting period, two employees continued with bursaries to study the following disciplines:

- Law
- Environmental Management.

Other training and development programmes attended during the reporting period included:

- First Aid
- Lifting Equipment
- Legal Liability
- K53 Driver Training
- COMSOC
- NOSA SHE Incident Investigation
- Basic Surveying
- Working at Heights
- Conveying of Dangerous Goods
- Problem Solving & Root Cause Analysis
- Fire Marshall
- Train the Trainer
- Facilitation Training
- Emotional Intelligence
- Conflict Handling
- Metallurgical Operator Training
- Earth Moving Operator Training
- New Managers Development Programme

Health, safety and environmental management programmes continued as per the MHSA. These included legally required training courses and health and safety training and induction.

Community training and development

Guided by its social and labour plans (SLPs), the Group shows its commitment to community development by offering various training opportunities to members of the local mining communities.

The Group also continued its partnership with the University of Stellenbosch's Centre for Pedagogy (SUNCEP) to fund the Namaqualand Maths and Science (Namasci) Project. The project offers additional tuition to learners in Grade 10, 11 and 12 to improve their opportunity to access higher education.

Community learnerships, in-service training and trainee programmes

WCR provided practical training opportunities and workplace experience to students from local communities in the following trades and disciplines:

- Chemical Engineering
- Health & Safety
- Environmental Management
- Electrical
- Boilermaking
- Diesel Mechanics
- Fitting & Turning.

The West Coast Resources Trainee Programme provides operator training to matriculants from the local communities. The programme involves classroom and practical training under the supervision of experienced operators who have received mentoring and coaching training.

All of the trainees are required to attend a work-readiness programme. The modules presented to the trainees include managing personal finances, understanding your payslip, the nature of business, self-management practices in the workplace, understanding the employer/employee relationship, inappropriate behaviour in the workplace, diversity, and an overview of the mining and minerals sector.

Upon successful completion of the programme trainees are placed into permanent vacant positions where possible.

Bursary scheme

The Group's bursary scheme awards successful applicants from local communities with bursaries towards full-time study at an accredited tertiary institution.

The scheme provides for financial assistance towards tuition, prescribed textbooks and accommodation costs and is valid for one academic year at a time.

The criteria used for allocating bursaries are based on financial need, academic merit and principles set out in government-prescribed training frameworks, including the Mining Charter, the National Skills Development Strategy and the Sector Skills Plan.

Bursaries worth R658 856 in total were awarded in the 2019 financial year in the following disciplines:

- Engineering
- Finance
- Environmental Management
- Law
- Education
- Medicine
- Science
- Industrial Psychology
- Information and Communication Technology

The Group's total investment in training and development opportunities for employees, contractors and community members totalled R3.2 million in the 2019 financial year.

Employment equity

The Group fully complies with all employment equity legislation. As shown in the Employment Equity table on page 40, the Company is continuously working towards the employment equity targets in terms of the revised Mining Charter scorecard.

The development of historically disadvantaged South Africans (HDSAs), especially women, remains a key focus area.

The Group has developed a number of strategies to enhance their representation. These efforts include:

- identifying positions in the mines that could be filled by HDSAs;
- identifying and developing HDSAs who show potential for fast-track career advancement;
- recruiting externally for qualified HDSA employees and trainees; and
- creating an environment conducive to the empowerment of HDSAs.

The Company accelerates the introduction and advancement of women in the traditionally male-dominated mining industry. As at 31 March 2019, 18% of employees at the Group's South African operations were women and 21% of management positions were occupied by women.

Employment equity plans, finalised in consultation with the trade unions and employees, are in place in accordance with Section 23 of the Employment Equity Act, No. 55 of 1998.

Annual employment equity reports are submitted to the Department of Labour each year.

SUSTAINABLE DEVELOPMENT AND MINING CHARTER REPORT

Employment equity

	Male				Female				Total	Actual % at 31 March 2019
	A	C	I	W	A	C	I	W		Non-designated: designated
Top management	0	1	0	0	0	0	0	0	1	0:100
Senior management	0	1	0	1	0	0	0	0	2	50:50
Professionally qualified and experienced specialists and mid-management	1	6	1	4	1	0	0	0	16	25:75
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	0	29	0	8	1	2	0	2	42	19:81
Semi-skilled and discretionary decision-making	0	73	0	2	0	20	0	0	95	2:98
Unskilled and defined decision-making	0	0	0	0	0	0	0	0	0	
Total permanent staff	1	110	1	15	2	22	0	5	156	

A = African; C = Coloured; I = Indian; W = White

Employee wellness and assistance

Medical and HIV/Aids

All permanent employees at the Group's South African operations belong to a medical aid scheme and have access to an onsite, professionally staffed medical clinic.

The Group has formal HIV/Aids policies in place that make provision for:

- compliance with all legal requirements regarding HIV/Aids in the workplace;
- non-discrimination of employees or potential employees based on their HIV status;
- general measures to prevent accidental infection; and
- strict confidentiality of information on the HIV status of employees.

A comprehensive HIV/Aids awareness and educational programme is provided to employees, their families and members of the community by the wellness co-ordinator and employees who have been trained as peer educators.

All employees and their families have access to free condoms, voluntary HIV/Aids counselling, testing and antiretroviral therapy. Additional support and counselling are provided to employees and their families through the employee assistance programme.

Wellness support services

The Group provides a holistic employee-wellness programme, which includes counselling interventions, information and advice on diet and health lifestyle choices. The Group's employee-wellness programme offers a number of services to employees, such as:

- peer support groups;
- access to a clinical professional who visits the mine weekly;
- onsite debriefing sessions in cases of trauma;
- access to a financial advisor who advises employees on how best to handle their finances and to assist with existing financial problems;
- psychosocial counselling for employees and their household members; and
- debt counselling and legal consultations.

In addition, the Group has contracted Careways to provide telephonic employee assistance on a 24/7 basis.

All employees within the Group and their household members have access to the helpline, which is manned by professional, multilingual staff who provide counselling and support for issues such as:

- emotional and personal difficulties;
- family and relationship concerns;
- alcohol, drug or gambling abuse;
- stress and change management;
- financial matters;
- legal concerns;
- career issues;
- violence and trauma;
- HIV/Aids; and
- bereavement and loss.

Housing and living conditions

The Group seeks to promote and facilitate home ownership by its employees and provides a range of housing benefits, including housing subsidies and allowances.

SUSTAINABLE DEVELOPMENT AND MINING CHARTER REPORT

Corporate social investment

Improving the quality of life of disadvantaged communities is a priority for the Group, particularly those communities in the vicinity of its mining operations. The Group contributed approximately R2.6 million during the 2019 financial year to projects aimed at developing and empowering local communities. These donations and sponsorships focused on early childhood development, enterprise development, education, learner transport, provision of potable water and other infrastructure.

Mine community and rural development

Trans Hex has made significant contributions towards the improvement of infrastructure in local communities, such as assisting with road maintenance, providing fresh water, and upgrading local education facilities.

Trans Hex's community investment plans are aligned with the Integrated Development Plans of the Namakhoi, Kamiesberg and Matzikama Local Municipalities, in collaboration with councillors and officials, as well as representatives of local community organisations.

- Specific projects approved for implementation as part of the Group's SLPs are:
- providing additional educators for schools in the Namaqualand region;
 - providing learner transport to various schools;
 - enterprise development in the Namaqualand and Matzikama regions; and
 - building early childhood development centres in the Matzikama municipal area.

Trans Hex continues to make donations to various small businesses, sports clubs and non-profit organisations in the area.

Ownership

Trans Hex is committed to compliance with the Mining Charter requirements in respect of Black Economic Empowerment (BEE) and ownership by HDSAs.

At the end of the reporting period, the Company's majority shareholders held a total of 79.72% of Trans Hex's issued shares. Through the acquisition of Trans Hex shares by other HDSA-controlled companies and application for ownership credits in respect of local beneficiation and the sale of assets to HDSA-empowered entities, as stipulated in the Mining Charter, the Company reached total BBBEE ownership credits of 40.56%.

Detailed information about the Group's shareholders is provided on pages 146–151 of this Annual Integrated Report.

Due to the current process that the Company has embarked on to delist from the JSE, the Group has not engaged in completing a BEE-rating process.

Beneficiation

Trans Hex makes its total South African production available to local beneficiation licence holders by way of its tender sales system, ensuring that one of South Africa's most significant diamond outputs, by value, is made available to all potential purchasers. In total, more than 15% of Trans Hex's South African-mined diamonds are beneficiated locally.

Procurement

Broad-based Black Economic Empowerment (BBBEE) procurement expenditure during the reporting period

	Capital	Material	Services
Target	40%	50%	70%
Actual	63%	81%	76%

The development of sustainable and competitive black-empowered businesses that can provide goods and services to the mining industry underpins the transformation intent of the Mining Charter. Trans Hex Group has demonstrated the consistent achievement of its BBBEE procurement spend targets and currently exceeds targeted levels on capital, services and material BBBEE procurement.

Total spend with BBBEE enterprises for the reporting period was R214 million (2018: R305 million), amounting to 80% (2018: 80%) of the total measurable procurement spend.

Contractor policies

In the tender process, all providers of contracted services to Trans Hex Group undergo rigorous checks against stringent technical, financial, safety, health and environmental, and BBBEE criteria to ensure compliance with both internal and legislative requirements.

CORPORATE GOVERNANCE

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Corporate governance report

The Trans Hex Group Limited board of directors and executive management are compliant with all applicable laws and regulations of the Republic of South Africa (and any other country in which the Group may conduct business from time to time), the Listings Requirements of the JSE Limited and King IV.

The Group's compliance with the Broad-Based Socio-Economic Empowerment Charter for the South African Mining and Minerals Industry is reported on in the Sustainable Development and Mining Charter Report section of this Annual Integrated Report (page 32).

The Group's compliance with King IV is reported on in the sections that follow. Further details regarding how the principles of King IV have been applied are available on the Group's website, together with copies of key corporate governance documents, such as the Memorandum of Incorporation and the Board Charter.

Board of directors

Trans Hex has a unitary board structure with seven directors. It comprises two salaried executive directors and five non-executive directors, three of whom are independent. The board meets on a quarterly basis, retains full and effective control over the Group and monitors the performance of executive management.

The board's role is to:

- inform and approve business strategy;
- ensure that strategy is aligned with the purpose of the Company, the value drivers of its business and the legitimate interests and expectations of its stakeholders;

- satisfy itself that the strategy and business plans are not encumbered by risks that have not been thoroughly examined by management; and
- ensure that strategy is aimed at achieving sustainable outcomes taking account of people, the planet and profit.

The board has implemented a delegation of authority to govern issues delegated to management.

The board acts as the focal point and custodian of corporate governance in the Group. The directors recognise that good governance can create shareholder value by enhancing long-term equity performance. The scope of authority, responsibility, composition and functioning of the board is contained in a formal charter, which is regularly reviewed.

The Company supports the principle of diversity at board level and has adopted a race and gender diversity policy in this regard, which is contained as part of its Board Charter. The voluntary target for female representation on the board has been set at 20% (at least one female non-executive director out of a total of five) and a voluntary target for race diversity is set at 40% (at least 2 black non-executive directors out of a total of five). The board currently comprises of five non-executive directors (four white males and one coloured male) and two executive directors (one coloured male and one white male). The directors will endeavour to achieve the policy targets in a pragmatic way that delivers value to the composition of the board.

The roles of the chairman and CEO do not vest in the same person and the chairman is a non-executive director. The chairman and CEO, with input from the other directors, provide leadership and guidance to the Group and encourage proper deliberation of all matters requiring their attention.

The board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence, for compliance with King IV, and is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.

Non-executive directors are appointed on a three-year rotational basis and reappointment is not automatic. Such appointments are formal and transparent and are dealt with by the board as a whole, assisted by the Human Resources and Social & Ethics Committee (HRSE) (see page 50) and the company secretary.

There is a clear division of responsibility at board level to ensure a balance of power and authority such that no one individual has unfettered power of decision-making.

Mr James Gurney was appointed as an alternate director to Mr Wentzel, effective 12 June 2017. Mr Gurney resigned as an alternate director to Mr Wentzel, effective 26 November 2018.

Statucor (Pty) Ltd (Statucor), an independent governance advisory firm, was appointed as company secretary, effective 1 February 2018.

Dr John Bristow was appointed as an independent non-executive director effective 11 July 2019.

Five board meetings relating to the 2019 financial year were held. The attendance of the board meetings was as follows:

	28 May 2018	14 June 2018	23 August 2018	19 November 2018	15 April 2019*
MVZ Wentzel (Chairman)	√	√	√	√	√
AG Rhoda	√	√	√	√	√
PG Viljoen	√	√	√	√	√
AJ Marais	√	√	√	√	√
J Gurney	x	x	√	√	–
L Delport	√	√	√	√	√
IP Hestermann	√	√	√	√	√
Statucor (Pty) Ltd	√	√	√	√	√

√ Attended

x Apology

*This meeting relates to the period 1 January 2019 to 31 March 2019.

CORPORATE GOVERNANCE

Company Secretary

The company secretarial function is outsourced to Statucor, represented by Alun Rich. The board is satisfied that Statucor is suitably qualified, competent and experienced to perform the role. The board has considered the individuals at Statucor who perform the company secretarial functions, as well as the directors and shareholders of Statucor, and it is satisfied that there is an arm’s length relationship between the company secretary and the board.

The company secretary provides guidance to directors on governance, compliance and their fiduciary duties. directors have unrestricted access to the advice and service of the company secretary.

Subcommittees

Two standing committees have been established, both as statutory committees and as committees of the board, viz. the Audit and Risk Committee and the Human Resources and Social & Ethics Committee. These committees operate within board-approved written terms of reference, which have been reviewed to ensure alignment with the requirements of King IV. The chairman of each committee is an independent non-executive director.

Annual appraisals

The company secretary manages the annual appraisal processes for the board, board committees and individual directors under the guidance of the Human Resources and Social and Ethics committee. Appraisal questionnaires, developed in line with best practice guidelines, are completed by all directors. Results are summarised and presented to the chairmen of the relevant committees and the chairman of the Board, who ensure that any appropriate action plans are initiated.

Audit and Risk Committee

During the period under review, the committee consisted of three non-executive directors – two of whom are independent – and was chaired by Mr Athol Rhoda.

The Audit and Risk Committee operates within the terms of a board-approved charter, which sets out its role and responsibilities and the requirements for its composition and meetings.

In compliance with the Companies Act, the report of the Audit and Risk Committee is included in the financial statements of the Group in this Annual Integrated Report and can be found on page 64–67.

Human Resources and Social & Ethics Committee

This committee fulfils the statutory functions of a social and ethics committee in terms of the Companies Act, as well as the functions of a remuneration committee and a nomination committee in terms of King IV and the Listings Requirements of the JSE Limited.

During the period, Mr Athol Rhoda served as chairman of the HRSE Committee in compliance with the Companies Act and fulfilled the role of chairman of the Remuneration Committee in compliance with the Listings Requirements of the JSE Limited and King IV.

A report on the mandate and activities of this committee is included on page 50.

External audit

The Group’s external auditor is Mazars.

A comprehensive engagement letter has been agreed between the Group and the external auditor and a policy is in place with regard to the nature and extent of any non-audit services that the external auditor may provide.

The external audit plan and fees for the year are approved by the Audit and Risk Committee on an annual basis.

Internal audit

Internal audit is an independent, risk-based assurance function. The internal auditor has a direct reporting line to the chairman of the Audit and Risk Committee, attend all meetings of the Audit and Risk Committee and the Group Risk Management Committee, and meet regularly with management.

The board reviews and approves the internal audit mandate annually to ensure compliance with King IV. The Audit and Risk Committee approves the internal audit plan and fees for the year on an annual basis.

Risk management

The board, through the Audit and Risk Committee, is responsible for the total process of risk management and for forming its own opinion on the effectiveness of the process. Management is accountable to the board for designing, implementing and monitoring the process of risk management and integrating it into the day-to-day activities of the Company. The Audit and Risk Committee ensures compliance with the ongoing process of identifying, evaluating and managing significant risks.

There is a Group Risk Management Committee (GRMC) and each major operation has an operational subcommittee. This includes Trans Hex Angola, which maintains its own risk register for the Angolan investments and mining operation. These subcommittees meet on a regular basis to monitor all challenges and risks facing each of the mines within the Group and to ensure timeous and adequate responses to any potential threat at an operational level.

Feedback from these subcommittee meetings is provided to the GRMC, which in turn reports to the Audit and Risk Committee. Corrective actions and preventive measures are implemented and closely monitored. Any significant risk that is new to the Group is reported via the GRMC to the Audit and Risk Committee. Risk management is a key focus area for operations and is a fixed agenda item for meetings of operational teams. It is at this level that strategies and procedures are set within the policy, programmes are executed, and performance reporting is done.

A combined assurance plan, derived from the risk management system, has been approved by the Audit and Risk Committee. The objectives of the plan are to:

- identify and specify the sources of assurance over the Group’s risks;
- provide the Audit and Risk Committee and management with a framework of the various assurance parties;
- link the risk management activities with assurance activities;
- assist the Audit and Risk Committee to review the effectiveness of the risk management system; and
- provide a basis for identifying any areas of potential assurance gaps.

The Board reviews and approves the risk management policy and mandate on an annual basis.

Management reporting

The Group has comprehensive management reporting disciplines in place, which include the preparation of annual budgets by all operating units. Monthly results and the financial status of operating units are reported against approved budgets and compared to the previous year.

Profit projections and forecast cash flows are updated monthly, while working capital and borrowing levels are continuously monitored.

Share transactions by directors and senior employees

According to Group policy, directors and senior employees are required to adhere to the code of conduct and ethics with regard to dealing in shares of the Group during periods of price sensitivity. In terms of the code, employees are prohibited from dealing, directly or indirectly, in the Company’s shares on the basis of unpublished price-sensitive information.

Code of conduct and ethics

The Group maintains the highest standards of integrity, behaviour and ethics in dealing with all stakeholders. The directors have implemented controls to monitor that the values, behaviour and ethics, as outlined in the Company’s code of conduct and ethics and other relevant documents, are adhered to.

A confidential reporting mechanism is in place that assures employees of anonymity when reporting matters relating to diamond theft, fraud or any crimes within the Company.

Stakeholder engagement

Trans Hex’s key stakeholders include shareholders, investors, trade unions, employees, government and the communities in which it operates.

Interaction with these constituencies takes place on a regular basis and addresses concerns and current issues that impact on the business and those involved in or affected by its activities.

Community stakeholder engagement is included at all mining and prospecting operations in environmental impact assessment processes and corporate social investment initiatives.

CORPORATE GOVERNANCE

Key stakeholder concerns relate to rehabilitation, biodiversity management, energy use and water management, as well as the socioeconomic development of the local community, which includes the provision of jobs and the development of skills.

Each mine communicates with its stakeholders on specific social and environmental issues in the area, within the guidelines of the Group's broader communication initiatives.

Employer/employee relations

The Group uses a variety of participative structures to deal with issues affecting employees directly and materially. These include the 'future forum', collective bargaining mechanisms, safety committees, training and development forums, employee-wellness structures and regular project-level meetings between management and employee representatives.

These structures, established in collaboration with trade union representatives, are designed to achieve sound employer/employee relations through effective sharing of relevant information, regular consultation and the early identification and resolution of potential conflict.

Information technology (IT) governance

The Board, through the Audit and Risk Committee, is responsible for IT governance. IT management is fully integrated with the Group's risk management system. The CEO has appointed Mr Ian Hestermann (Executive Director: Finance) as Chief Information Officer (CIO) responsible for the management of IT.

The IT steering committee is responsible for managing IT governance in line with the board-approved IT governance charter.

The CIO provides regular reports to the Audit and Risk Committee, which monitors, evaluates and approves all significant IT investments and expenditure.



MVZ Wentzel
Chairman: Board of Directors

HUMAN RESOURCES AND SOCIAL ETHICS (HRSE) COMMITTEE REPORT

The HRSE Committee operates within a terms of reference that detail its duties in terms of the Companies Act, the Listings Requirements of the JSE Limited and King IV, as well as the responsibilities allocated to it by the board.

This report is presented to shareholders in accordance with the requirements of the Companies Act.

Composition and meetings

During the period under review, the HRSE Committee consisted of four suitably qualified non-executive directors, two of whom are independent non-executive directors (as set out in the table below).

The CEO and the Group HR Manager are permanent invitees to the committee meetings to assist the committee in fulfilling its roles in terms of the Companies Act and King IV.

Four HRSE Committee meetings relating to the 2019 financial year were held. The attendance of the HRSE Committee meetings was as follows:

	14 June 2018	23 August 2018	19 November 2018	15 April 2019*
AG Rhoda (Chairman)	√	√	√	√
MVZ Wentzel	√	√	√	√
PG Viljoen	√	√	√	√
AJ Marais	√	√	√	√
L Delport#	√	√	√	√
Statucor (Pty) Ltd#	√	√	√	√

√ Attended
By invitation
*This meeting relates to the period 1 January 2019 to 31 March 2019.

HUMAN RESOURCES AND SOCIAL & ETHICS COMMITTEE REPORT

The CEO attends meetings of the HRSE Committee but does not participate in any discussions or decisions regarding his own remuneration.

Role of the HRSE Committee

In respect of remuneration, the HRSE Committee's role is to act on behalf of the board to ensure that:

- the Company remunerates directors, executives and other employees fairly and responsibly;
- the disclosure of directors' and executives' remuneration is accurate, complete and transparent; and
- matters within the committee's mandate are reported annually to shareholders.

In respect of nominations, the HRSE Committee's role is to assist the board to ensure that:

- the board has the appropriate composition for it to execute its duties effectively;
- directors are appointed through a formal process;
- induction and ongoing training and development of directors take place; and
- formal succession plans are in place for the board, CEO and key management.

In respect of social and ethics matters, the HRSE Committee's role is to:

- monitor the Group's activities relating to social and economic development, good corporate citizenship, the environment, health and public safety;
- review and recommend, for approval by the Board, appropriate and best practice standards that the Company should apply on matters falling under its mandate; and
- monitor and report on the Company's activities having regard for relevant legislation, other legal requirements or prevailing codes of best practice with regard to matters falling within its mandate.

Activities of the HRSE Committee

Remuneration-related activities performed during the year under review include:

- determining remuneration of executives and staff in terms of the policy that forms part of this Annual Integrated Report; and
- proposing fees for the non-executive directors for shareholder approval at the Annual General Meeting.

Nominations-related activities performed during the year under review include:

- carrying out an independence review of the directors.

Social- and ethics-related activities performed during the year under review include:

- monitoring the development and application of policies and practices in line with the Group's social and ethics policies, King IV and the Listings Requirements of the JSE Limited;
- monitoring progress against the Group's employment equity plans and considering the Group's empowerment and transformation activities;
- reviewing ethics-related issues that were brought to the Committee's attention; and
- reviewing aspects of sustainability and corporate citizenship.

The HRSE Committee is satisfied that it has carried out its responsibilities during the year under review in compliance with its terms of reference.

Engagement with shareholders regarding the remuneration policy

At the 2018 Annual General Meeting, held on 3 September 2018, the Group's Remuneration Policy and Implementation Report were presented to shareholders for non-binding advisory votes and their adoption was supported by 99.6% and 100% of shareholders who voted respectively.

In accordance with King IV, in the event that either the Remuneration Policy or the Implementation Report receives 25% or more dissenting votes from shareholders, management will seek to engage directly with these shareholders to:

- ascertain the reasons for the dissenting votes; and
- address legitimate and reasonable objections or concerns by clarifying or amending the Remuneration Policy, its implementation or processes, or reviewing the remuneration governance, or taking other steps to resolve the concerns.

Should it become applicable, the Group will in the following year's Implementation Report disclose:

- with whom the Company engaged;
- the manner and form of engagement to ascertain the reasons for dissenting votes; and
- the nature of steps taken to address legitimate and reasonable objections and concerns.



AG Rhoda
Chairman: Human Resources and Social & Ethics Committee



REMUNERATION REPORT

PART 1: BACKGROUND STATEMENT

Introduction

This Remuneration Report provides an overview of the remuneration of all Group employees as well as disclosing executive director remuneration. The remuneration paid to executive and non-executive directors for the 2019 financial year is detailed on page 58.

The board, through the HRSE Committee, is ultimately responsible for establishing and implementing a remuneration policy. The HRSE Committee is responsible for appointing competent individuals as senior managers and ensuring that the Group's leadership delivers on the Group's strategic targets for fair remuneration.

The Group's Remuneration Policy is aimed at supporting its strategic goal of attracting, retaining, incentivising and rewarding employees, managers and directors, thereby ensuring that their interests align with those of shareholders.

As Trans Hex comes out of its current phase of regeneration, it is envisaged that the Remuneration Policy will adapt and change accordingly. During the course of the 2020 financial year, the HRSE Committee will continue to monitor the appropriateness of the Remuneration Policy and how it is applied. As a responsible corporate citizen, Trans Hex strives to improve employment conditions across the business and implement initiatives that will over time realise the concept of fair and reasonable remuneration. This includes the promotion of employment equity and diversity in the workplace, skills development and remuneration benchmarking to ensure internal equity and equal pay for work of equal value.

In addition, Trans Hex manages the environmental impact of its operations while also investing in various community development initiatives and improving the quality of life of disadvantaged communities, particularly those in the vicinity of its mining operations, through its CSI programme. Furthermore, Trans Hex consistently achieves its BBBEE procurement-spend targets.

Key factors

The key factors that influenced the implementation of the Remuneration Policy in the 2019 financial year were:

- The Group is a listed diamond-mining company operating in the small-cap sector of the market.
- Whilst the Company's head office is based in Cape Town, its mining operations are situated in remote geographical locations.
- The Company must compete in the broader mining industry for the attraction and retention of core skills, such as artisans, engineers and management.
- The Company strives to comply with all statutory and regulatory requirements and is committed to applying best practice guidelines in all aspects of remuneration and benefits.
- The Company aims to offer remuneration packages that, at all employment levels, are market competitive, fair, reasonable and defensible in all aspects.

Approval of the Remuneration Policy and Implementation Report

At the 2018 Annual General Meeting, 99.6% of shareholders represented voted in favour of the Group's Remuneration Policy and 100% voted in favour of the Implementation Report.

The latest Remuneration Policy, which is outlined in Part 2 of this Report, will be proposed to shareholders for a non-binding advisory vote at the Company's Annual General Meeting. The application of the Remuneration Policy, which details how the Group has implemented its Remuneration Policy during the year, is covered in Part 3 of this Report. In accordance with King IV, the Implementation Report will also be tabled for shareholder approval by way of a non-binding advisory vote at the Annual General Meeting.

In accordance with King IV, in the event that either the Remuneration Policy or the Implementation Report receives 25% or more dissenting votes, management will seek to engage directly with these shareholders to:

- ascertain the reasons for the dissenting votes; and
- address legitimate and reasonable objections or concerns by clarifying or amending the Remuneration Policy, its implementation or processes, or reviewing the remuneration governance, or taking other steps to resolve the concerns.

The steps taken to address legitimate and reasonable concerns will be disclosed in the following year's Report.

HRSE Committee's key focus areas and decisions

During the 2019 financial year, the HRSE Committee's key focus areas were:

- reviewing employee, executive and directors' salaries;
- reviewing management's and executives' bonuses;
- reviewing non-executive directors' fees; and
- reviewing the Remuneration Policy.

Key decisions made during the year under review were:

- approving annual increases and adjustments for employees, executives and directors; and
- approving management and executive bonuses.

Amendments to the Remuneration Policy

During the 2019 reporting period, the HRSE Committee approved the following amendments to the Remuneration Policy:

1. Correction to references made to Trans Hex Provident Fund and Trans Hex Retirement Fund
2. Simplification of wording under Executive Bonus section
3. Simplification of wording under Long-term executive retention scheme section



REMUNERATION REPORT

PART 2: REMUNERATION POLICY

The HRSE Committee is responsible for the Remuneration Policy and practices.

Introduction

Trans Hex aims to attract, retain, incentivise and reward top quality staff at all levels, with particular emphasis on scarce or critical skills. The Company's Remuneration Policy is designed to support this strategic goal in a way that aligns the interests of employees, managers, executives and directors with those of shareholders.

The Remuneration Policy is not intended to be a 'one-size-fits-all' statement of rules and procedures, but rather to serve as the basis for a flexible approach that tailors itself to the variable and changing needs of a dynamic organisation over time.

There are, however, a number of key principles that form the foundation of the remuneration policy:

- Trans Hex is a listed diamond-mining company, operating in the small-cap sector of the market.
- While the Company's head office is located in Cape Town, its mining operations are situated in remote geographical locations.
- The Company must compete in the broader mining industry for the attraction and retention of core skills, such as artisans, engineers and management.
- The Company strives to comply with all statutory and regulatory requirements and is committed to applying best practice guidelines in all aspects of remuneration and benefits.
- The Company aims to offer remuneration packages that, at all employment levels, are market competitive, fair, reasonable and defensible in all respects.

Key features of the remuneration system

Trans Hex uses the Paterson grading system of job evaluation. Contracts of employment are prepared in compliance with employment legislation. As a general principle, employment contracts are concluded on a permanent basis (i.e. for an indefinite period), except where business needs and prevailing circumstances dictate the use of either fixed-term or short-term temporary contracts.

The notice period for the termination of employment contracts is typically one month, but for critical positions this can be extended by mutual agreement to a maximum of six months.

The HRSE Committee approves all salary increases, for all categories of staff, in advance each year. Any material changes to allowances, benefits, bonus schemes, or any other aspect of remuneration policy are approved by the HRSE Committee prior to implementation.

The Company provides a market-competitive basic salary plus compulsory medical aid and retirement fund membership at all job levels.

Severance payments upon termination of service are governed by legislation, by union agreement, individual contract and Trans Hex's policy and practice. In the case of retrenchment, Trans Hex's standard policy at all job levels is to pay the contractual notice period (if not worked) and severance pay equal to:

- in respect of service up to 31 January 2018: three weeks' remuneration per year of service with the Company; and
- in respect of service after 31 January 2018: the minimum remuneration stipulated in S41(2) of the Basic Conditions of Employment Act (currently one week's pay per year of service).

The Company does not provide any special retirement benefits other than the standard benefits available to employees as members of the Alexander Forbes Umbrella Fund.

The terms of service of the executives and directors are linked to their terms of service as employees. Their remuneration consists only of remuneration as employees and they receive no additional remuneration as executives and directors.

All components of the Company's remuneration system are subject to regular internal and external audits.

Employees covered by collective bargaining

At the date of amendment of this policy, Trans Hex has no employees covered by collective bargaining agreements.

Non-union staff and management

Staff at head office and all members of management throughout the Company are treated individually, in accordance with their contracts of employment and the remuneration and benefit schemes and practices applicable to their job grades.

Salaries are reviewed annually, effective on 1 April. The HRSE Committee determines the extent of any general cost-of-living increase as well as any additional provision for individual adjustments based on performance, retention and market-matching criteria.

All staff members have detailed job profiles, which stipulate the key performance areas of their positions and serve as the basis for performance management and the determination of any applicable performance-linked salary increases and/or bonuses.

Details of the remuneration packages paid to the chief executive officer, other executive directors and prescribed officers are disclosed in the Annual Integrated Report.

Staff bonuses

Employees who are not members of executive management receive a guaranteed 13th cheque annually.

Management performance bonuses

Members of management, excluding executives and directors, participate in a non-guaranteed discretionary bonus scheme whereby a bonus pool is approved by the HRSE Committee and apportioned by the CEO according to performance and retention criteria. The average bonus pool allocated under this scheme amounts to 15% of the total annual basic salaries of qualifying managers.

Executive bonuses

Executives and directors participate in a profit-sharing bonus scheme. This scheme is based on profit from continuing operations.

A bonus pool is calculated each year when the Group's annual financial statements are prepared and approved.

The bonus pool is uncapped and equal to five per cent of Group's profit before tax.

The bonus pool is allocated amongst the participating executives and directors by the CEO, in accordance with fair and objective rules and criteria, subject to ratification by the Committee.

Bonuses will be paid upon publication of the Group's annual financial results.

The scheme will be reviewed by the Committee annually.

Details of performance bonuses paid to the CEO, other directors, executives and prescribed officers are disclosed in the Annual Integrated Report.

Long-term executive retention scheme

The Company no longer has a share option scheme and does not issue shares to its executives and directors.

Participants in the Company's discontinued share scheme that have not yet vested or exercised their entitlements will be free to exercise their remaining entitlements, subject to the existing scheme rules.

Non-executive directors

Non-executive directors are appointed on a three-year rotation basis.

Each non-executive director is paid a fixed annual retainer for services as a director, with the chairmen of the Board and its sub-committees receiving a premium in recognition of their roles and added responsibilities. In addition, a fixed fee is paid for attendance and service at each Board meeting and each sub-committee meeting.

Alternate directors are not paid unless serving in office or attending meetings in the place of a director.

Non-executive directors who attend sub-committee meetings by invitation are not paid for such attendance.

Non-executive directors' remuneration is reviewed annually by the HRSE Committee. Fees applicable for the next financial year are submitted to shareholders for approval at the Annual General Meeting. The amounts paid to individual directors are disclosed in the Annual Integrated Report.

REMUNERATION REPORT

PART 3: REMUNERATION IMPLEMENTATION REPORT

This Implementation Report contains the detailed information and figures pertaining to the application of the Group’s remuneration policy in relation to executive and non-executive directors.

Salary increases

In respect of the 2019 financial year, the Committee approved annual salary increases for all employees at the Group’s South African operations, as follows:

- Employees covered by collective bargaining with the National Union of Metalworkers of South Africa: an across-the-board increase of 6.0% on monthly basic salaries, effective from 1 April 2018.
- Non-bargaining unit staff including executives: an increase of 4.8% on guaranteed monthly remuneration, effective from 1 April 2018. Directors: no increases were granted.

Short-term incentive schemes

In respect of the 2019 financial year, the Company’s HRSE Committee resolved not to pay any short-term management and executive bonuses.

Long-term executive retention scheme

The Company does not have a share option scheme and does not issue shares to its executives or directors. Prior to the 2018 financial year, the Company operated an SAE. The board, however, resolved to terminate the scheme and, accordingly, no further awards of entitlements have been made to executives since 2016.

Directors’ remuneration

Fees payable to non-executive directors are approved by shareholders annually at the Annual General Meeting. In respect of the reporting period, the following fees were approved:

Designation	Fees for the year ended 31 March 2019
Annual retainer:	
Non-executive director	R95 400
Chairman of the Human Resources and Social & Ethics Committee	R143 100
Chairman of the Audit and Risk Committee	R166 925
Chairman of the board	R609 180
Fee per meeting:	
Board meeting	R19 080
Audit and Risk Committee meeting	R17 175
Human Resources and Social & Ethics Committee meeting	R11 450

Note: If the same person is chairman of both board subcommittees, then the annual retainer amount will be R214 625.

REMUNERATION IMPLEMENTATION REPORT

The directors’ remuneration for the year ended 31 March 2019 was as follows:

	Consolidated						
	Salaries and fees R'000	Retirement contribution R'000	Performance bonus R'000	Share appreciation units exercised R'000	Loss of office R'000	Other benefits* R'000	Total R'000
2019							
Executives							
L Delport	3 948	515	–	–	–	914	5 377
IP Hestermann#	1 603	–	–	–	–	169	1 772
Subtotal	5 551	515				1 083	7 149
Non-executives							
MVZ Wentzel	731	–	–	–	–	–	731
PG Viljoen	286	–	–	–	–	–	286
A Rhoda	405	–	–	–	–	–	405
AJ Marais	286	–	–	–	–	–	286
Subtotal	1 708	–	–	–	–	–	1 708
Total paid	7 259	515	–	–	–	1 083	8 857
Executives							7 149
Non-executives							1 708
							8 857

* Other benefits mainly comprise car allowances, leave encashments and medical aid contributions.

Mr Hestermann is currently appointed in a temporary capacity.

REMUNERATION REPORT

The directors' remuneration for the year ended 31 March 2018 was as follows:

	Consolidated						Total R'000
	Salaries and fees R'000	Retirement contribution R'000	Performance bonus R'000	Share appreciation units exercised R'000	Loss of office R'000	Other benefits* R'000	
2018							
Executives							
L Delport	3 948	515	–	–	–	1 076	5 539
IP Hestermann	2 185	125	–	–	1 609	1 026	4 945
GM van Heerden	1 698	195	–	–	1 932	501	4 326
Subtotal	7 831	835	–	–	3 541	2 603	14 810
Non-executives							
MVZ Wentzel	842	–	–	–	–	–	842
PG Viljoen	328	–	–	–	–	–	328
A Rhoda	426	–	–	–	–	–	426
AJ Marais	56	–	–	–	–	–	56
QJ George	273	–	–	–	–	–	273
Subtotal	1 925	–	–	–	–	–	1 925
Total paid	9 756	835	–	–	3 541	2 603	16 735
Executives							14 810
Non-executives							1 925
							16 735

* Other benefits mainly comprise car allowances, leave encashments and medical aid contributions.

Directors' shareholdings

As at 31 March, the directors held, directly or indirectly, interest in the issued capital of the Company as reflected in the table below:

There has been no change to the below directors' interest from the end of the financial year and the date the annual financial statements were approved.

	Direct beneficial	Indirect beneficial	Shares held by associates	Total
2019				
L Delport	150 000	–	–	150 000
PG Viljoen*	–	36 474 981	–	36 474 981
MVZ Wentzel^	–	–	27 800 400	27 800 400
2018				
L Delport	150 000	–	–	150 000
PG Viljoen*	–	36 474 981	–	36 474 981
MVZ Wentzel^	–	–	27 100 400	27 100 400

* Mr Viljoen holds an indirect interest of 50% in RECM and Calibre Ltd, a major shareholder in the Group.

^ Metcap 14 (Pty) Ltd, a major shareholder in the Group, is ultimately controlled by a trust of which Mr Wentzel's wife, Mrs Clare Wiese-Wentzel, is a trustee and beneficiary.

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GENERAL INFORMATION

COUNTRY OF INCORPORATION AND DOMICILE	SOUTH AFRICA
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	EXPLORATION FOR, MINING AND MARKETING OF HIGH QUALITY DIAMONDS FROM LAND AND MARINE ALLUVIAL DEPOSITS
DIRECTORS	L DELPORT IP HESTERMANN MVW WENTZEL PG VILJOEN AG RHODA AJ MARAIS JW BRISTOW
REGISTERED OFFICE	3 SIDVALE STREET PAROW WESTERN CAPE 7499
BANKERS	FIRST RAND BANK LIMITED ABSA BANK LIMITED
AUDITORS	MAZARS CHARTERED ACCOUNTANTS (SA) REGISTERED AUDITOR CAPE TOWN
SECRETARY	STATUCOR PROPRIETARY LIMITED
COMPANY REGISTRATION NUMBER	1963/007579/06
LEVEL OF ASSURANCE	THESE ANNUAL FINANCIAL STATEMENTS HAVE BEEN AUDITED IN COMPLIANCE WITH THE APPLICABLE REQUIREMENTS OF THE COMPANIES ACT 71 OF 2008.
PREPARER	THE ANNUAL FINANCIAL STATEMENTS WERE INTERNALLY COMPILED UNDER THE SUPERVISION OF: IP HESTERMANN CA(SA)
ISSUED	25 JULY 2019

AUDIT AND RISK COMMITTEE REPORT

This report is presented by the Company's Audit and Risk Committee (the "Committee") appointed by the shareholders in respect of the financial year ended 31 March 2019. It is prepared in accordance with the recommendations of King IV and in compliance with Section 94(7)(f) of the South African Companies Act No. 71 of 2008, as amended.

Composition and meetings

During the period under review, the Committee consisted of three suitably qualified non-executive directors, two of whom are independent non-executive directors (as set out in the table below).

The composition of the committee was compliant with the requirements as set out in the Companies Act. The King Code requires that all members of the committee be independent non-executive members. The composition of the committee was therefore not in compliance with the principles of King IV at the year end.

In March 2018, Mr Marco Wentzel (Chairman of the Board) resigned as a member of the Committee.

Four Committee meetings relating to the 2019 financial year were held. The attendance of the Committee meetings was as follows:

	6 June 2018	3 Aug 2018	19 Nov 2018	15 Apr 2019*
AG Rhoda (Chairman)	√	√	√	√
AJ Marais	√	√	√	√
PG Viljoen	√	√	√	√
MVZ Wentzel#	√	√	√	√
L Delport#	√	√	√	√
IP Hestermann#	√	√	√	√
Statucor (Pty) Ltd#	√	√	√	√

√ Attended

By invitation

* This meeting relates to the period 1 January 2019 to 31 March 2019.

The Audit and Risk Committee performs the duties laid upon it by Section 94(7) of the Companies Act 71 of 2008 by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the external auditors.

The chairman of the board, chief executive officer, chief financial officer and company secretary, together with representatives of the internal and external auditors, attend all meetings of the Committee. A standing invitation to attend is extended to the other non-executive directors. The Committee may also meet separately with the external auditor and the internal auditor without executive management being present.

Biographical details of the Committee members appear on pages 6 to 8. Fees paid to the Committee members for the period and the proposed fees for the 2019 financial year are disclosed in the Remuneration Implementation Report on page 57.

Role and function of the Committee

The Committee has an independent role with accountability to both the board and to shareholders. The Committee's responsibilities include the statutory duties prescribed by the Companies Act, activities recommended by King IV, as well as additional responsibilities assigned by the board.

AUDIT AND RISK COMMITTEE REPORT

The Committee is required to meet at least four times annually, with two meetings coinciding with the key dates of the financial reporting and audit cycle. Minutes of the meetings of the Committee are circulated to all directors and supplemented by an update from the Committee chairperson at each board meeting. The chairperson of the Committee is required to attend all statutory shareholder meetings to respond to questions on the Committee's activities.

The Committee performed the following activities relating to the audit function during the year under review, with certain of these duties being required in terms of the Companies Act:

- Recommended to the board and shareholders the appointment of the external auditor; approved their terms of engagement and remuneration; and, monitored their independence, objectivity and effectiveness.
- Determined the nature and extent of any non-audit services that the external auditor may provide to the Group and pre-approved any proposed contracts with the external auditor.
- Reviewed the Group's internal financial control and financial risk management systems.
- Monitored and reviewed the effectiveness of the Group's internal audit functions.
- Reviewed and recommended to the board for approval the Annual Integrated Report and financial statements.

The Committee is satisfied that it has fulfilled all its statutory duties and duties assigned to it by the shareholders during the financial year under review, as further detailed below.

External audit

The Committee has assessed the independence, expertise and objectivity of the independent external auditor, Mazars, approved their fee, and determined their terms of engagement.

The change in external auditor was initiated by Trans Hex in an effort to reduce the Company's operating costs and as a result of competitive pricing, following the tender process. The audit services of PricewaterhouseCoopers Inc. have been terminated by mutual agreement.

In accordance with the Listings Requirements of the JSE Limited, the Committee requested the following required information in its assessment of the external auditor and designated individual partner:

- The latest inspection reports, decisions letters and remedial actions to address IRBA's findings on the audit firm, the individual auditor and all other engagement file reviews together with explanations where necessary. This includes any reinspections.
- A summary as approved by the audit firm's head of risk, of internal monitoring review procedures performed, conclusions drawn, together with a description of significant deficiencies and steps taken to resolve or amend them.
- The outcome and a summary of any legal or disciplinary proceedings concluded or settled with a fine within the past 7 years.

The Committee has further assessed the performance of the external auditor and confirms that it is satisfied with it.

The Committee has received confirmation from the external auditor that the partners and staff responsible for the audit comply with all legal and professional requirements with regard to rotation and independence, including the stipulation that they should not own shares in Trans Hex.

Their re-appointment will be presented to the shareholders of the Company at the Annual General Meeting for approval.

The Committee is satisfied that the Company's external auditor is independent of the Group and is not included on the JSE list of disqualified auditors, thereby they are able to conduct their audit functions without any influence from the Group.

A formal policy governs the provision of non-audit services by the Group's external auditor to ensure their ongoing independence. In terms of the policy, the Committee is responsible for determining the nature and extent of any such services and pre-approving any proposed contract with the external auditor for the provision thereof.

AUDIT AND RISK COMMITTEE REPORT

Internal audit

Internal audit forms an integral part of the Group's risk management to provide assurance on the effectiveness of the Group's risk management process and systems of internal control. The Committee is satisfied with the independence, quality and scope of the internal audit process.

Internal financial and accounting control

The Committee is responsible for assessing the Group's systems of internal financial and accounting control. The various systems of internal control are designed to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained, the integrity and accuracy of financial information is protected and the incidence of fraud is minimised.

The Committee oversees co-operation between internal and external auditors and serves as a link between the board and these functions. In this regard the Committee has, inter alia, considered the reports from the internal and external auditors and satisfied itself as to the adequacy and effectiveness of the Group's systems of internal control.

The findings raised by the internal and external audit functions were reviewed, considered and remediated where practical. The Committee is satisfied that the accounting practices of the Group are sound, that the financial statements fairly represent the financial affairs of the Group and the system of internal financial control is appropriate.

The Committee also performed a review of the Group's financial director and its finance function. Based on the review, the Committee has satisfied itself as to the appropriateness of the expertise, resources and experience of the Group's financial director and its finance function.

Risk management and compliance

The Committee is integral in the implementation of the Group's Risk Management Policy. It monitors the Group's risk management processes and systems of internal control through the review of the activities of each major operation, the Group's internal and external auditors, and the Group's risk management function. Further details on the Group's risk management function are contained in the Corporate Governance Report on page 47.

The Committee is satisfied that the systems and the process of risk management are effective.

The Committee is responsible for reviewing any major breach of relevant legal, regulatory and other responsibilities. The Committee is satisfied that there has been no material non-compliance with laws and regulations.

Significant financial and reporting matters

As part of its role in assessing the integrity of the Group's external reporting, the Committee has continued to pay particular attention to the key areas of management judgement underpinning the financial statements. The Committee considered a number of significant issues in the year, taking into account in all instances the views of the Company's external auditor. All accounting policies can be found in the related notes to the financial statements. Where further information is provided in the notes to the financial statements, we have included the note reference. The issues and how they were addressed by the Committee are detailed below:

Going concern

The Committee has considered the appropriateness of the going-concern basis of preparation of the Group as part of its duties. Included in its review, the Committee reviewed and considered management's assessment of the going-concern assumption of the Group, including the cash flows forecast for the ensuing year, the Group's ability to fund its short-term liquidity requirements and its dependence on the financial support of its major shareholders.

As part of their review, the Committee placed particular focus on West Coast Resources (Pty) Ltd's (WCR) cash flows, assumptions embedded therein and the continued financial support from the Industrial Development Corporation of South Africa (IDC). The potential disposal of the Group's interest in WCR was also considered. In the event of the potential disposal not occurring, the cash flow of the Group will be under pressure.

The Committee has concluded that the cash flow of WCR and the Group henceforth remains under pressure for the foreseeable future and this will cast significant doubt on the Group and Company's ability to continue in operational existence for the foreseeable future.

Provision for rehabilitation liabilities

The Committee considered the assessments made in relation to the estimation of the costs and associated provisions for the rehabilitation liabilities as reported by management.

The Committee concurred with the calculations used in determining the rehabilitation provision for IFRS reporting purposes. The calculations were based on an external expert's report on the disturbances, which management adjusted to quantify the Group's overall liability for rehabilitation purposes. The submissions made to the DMR were accepted and approved.

The Committee is therefore satisfied that the provisions are appropriate.

Useful life and residual value assessment of Property, Plant and Equipment

The Committee has considered the appropriateness of management's assessment of the useful lives and residual values of items of property, plant and equipment for the year ended 31 March 2019. The Committee reviewed the calculation performed by management, evaluated the inputs and assumptions used.

The Committee concurred that the useful lives and residual values of items of property, plant and equipment are based on the current estimated market value, as well as the age and condition of the assets expected at the end of the useful life.

Public reporting

The Committee is responsible for considering and making recommendations to the board relating to the Group's Annual Integrated Report, the financial statements and any other reports (with reference to the financial affairs of the Group) for external distribution or publication, including those required by any regulatory or statutory authority.

The Committee is satisfied that it has complied with all its legal, regulatory and other responsibilities during the year under review and that its report to shareholders has been approved by the board.

The Committee has considered the JSE Proactive Monitoring Reports and the impact thereof on the annual financial statements.

On behalf of the Audit and Risk Committee



AG Rhoda
Chairman: Audit and Risk Committee
25 July 2019

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required in terms of the Companies Act No. 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards; Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council; Listings Requirements of the JSE Limited; and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Group's cash-flow forecast for the year to 31 March 2020 and, in particular those of West Coast Resources (Pty) Ltd, and resolved that the going concern assumption of the Group, as consolidated, is appropriate. The board also applied its mind to the worst case scenario regarding the potential disposal of West Coast Resources (Pty) Ltd. The Group's ability to fund its short-term liquidity requirements is dependent on the financial support of its shareholders and the IDC, creating a material uncertainty which may cast doubt about the Group's ability to continue as going concern.

The external auditors are responsible for independently auditing and reporting on the Group's annual financial statements. The annual financial statements have been examined by the Group's external auditor and their report is presented on page 70. The annual financial statements set out on pages 74 to 143, which have been prepared on the going-concern basis, were approved by the board of directors on 25 July 2019 and were signed on their behalf by.

Approval of financial statements



MVZ Wentzel
Chairman



L Delport
Chief Executive Officer

COMPANY SECRETARY'S CERTIFICATION

In terms of Section 88(2)(e) of the Companies Act No. 71 of 2008, as amended, I certify that the Group has lodged with the Commissioner all such returns as are required of a public company in terms of the Act and that all such returns are true, correct and up to date.



STATUCOR (PTY) LTD
PER: AJ RICH
Company Secretary
25 July 2019

REPORT OF THE BOARD OF DIRECTORS

This report is presented by the Company's board of directors in respect of the financial year ended 31 March 2019.

Nature of activities

Trans Hex is an integrated, international company engaged directly and through associated companies and joint-venture agreements with others in the exploration for, mining and marketing of, high-quality diamonds from land and marine deposits.

Operating results

Year ended 31 March:	2019	2018
Profit/(loss) for the year attributable to owners of the parent (R'000)		
– Continuing operations	67 866	19 134
– Discontinued operations	79 319	(213 033)
Headline profit/(loss) (R'000)		
– Continuing operations	50 573	(32 786)
– Discontinued operations	1 528	(222 781)
Basic and diluted profit/(loss) per share (cents)		
– Continuing operations	58.94	(16.62)
– Discontinued operations	68.89	(185.03)
Basic and diluted headline profit/(loss) per share (cents)		
– Continuing operations	43.92	28.48
– Discontinued operations	(1.33)	(193.49)

Special resolutions passed

Since the previous Report of the Board of Directors, special resolution numbers one, two and three were passed at the Annual General Meeting of the Company held on 3 September 2018.

Special resolution number one approved the basis for calculating the remuneration payable by the Company to its non-executive directors for their services as directors of the Company for the period ending 31 March 2019.

Special resolution number two granted the directors a general authority, up to and including the date of the following Annual General Meeting, to approve the Company's purchase of shares in itself.

Special resolution number three provided for the granting of authority to directors to enable the Company to provide financial assistance to any company or corporation that is related or inter-related to the Company in accordance with the Companies Act.

Corporate activities

Completion of the sale of Lower Orange River (LOR) operations with effect from 1 April 2018.

LOR operations was sold for a cash consideration of R72 million (exclusive of value added tax), which sale became effective on 1 April 2018.

Group financial review

Statement of financial position

Shareholders' interest at book value on 31 March 2019 amounted to R308.5 million or R2.68 per share (2018: R175.4 million or R1.52 per share).

REPORT OF THE BOARD OF DIRECTORS

Composition	2019 R'000	2018 R'000
Subsidiary companies		
– Losses	92 125	(270 019)
Associated companies		
– Share of net loss	50 410	38 662
Joint ventures		
– Share of net profit	1 528	2 314
		(229 043)

Income statement

The consolidated profit after income tax for the year ended 31 March 2019 amounted to R144.1 million (2018: loss of R229.0 million) and the earnings per share was 127.8 cents (2018: loss of 201.6 cents).

The financial statements on pages 74 to 143 set out fully the financial position, results of operations and cash flows of the Group for the financial year ended 31 March 2019. Segment information is presented in note 38.

Dividend

The board has resolved that it would not be prudent to recommence dividend payments until there is a degree of confidence that the Group has achieved a growing flow of new earnings (2018: Rnil).

Subsidiaries and investments

Details of subsidiaries, associated companies and other investments are set out in notes 5, 6, 20, 21 and 32.

Directors

Mr Marco Wentzel resigned as a member of the Audit and Risk Committee, effective 27 March 2018.

Mr James Gurney resigned as an alternate director to Mr Wentzel, effective 27 November 2018.

Dr John Bristow was appointed on 11 July 2019.

The directors' profiles appear on pages 6 to 8.

Directors' interest

As at 30 March 2019, the aggregate of the direct and beneficial interest of directors was 55.79% (2018: 55.18%) of the issued share capital of the Company. Individual directors' interest in the issued share capital of the Company is reflected on page 59 of this Annual Integrated Report. Since the end of the financial year and until the date of this report there were no changes in the interests of the directors.

Directors' fees

The board reports that non-executive directors' fees for the services rendered during the past financial year amounted to a total of R1 709 185 (2018: R1 924 343).

Company secretary

Statucor (Pty) Ltd, an independent governance advisory firm, was appointed company secretary, effective 1 February 2018.

Events after reporting date

Post year-end, Trans Hex Operations (Pty) Ltd, WCR, Trans Hex Diamante Ltd (THD) (all of which are subsidiaries of Trans Hex) and Kernel Resources (Pty) Ltd ("Kernel Resources"), (collectively, the "Parties") entered into a process of negotiating the terms and conditions of the potential disposal of the shares held by THD in the issued share capital of WCR ("WCR Shares"), comprising 67.2% of the WCR's issued shares, to Kernel Resources.

REPORT OF THE BOARD OF DIRECTORS

In anticipation thereof and to ensure undisturbed continuity of WCR's Namaqualand operations ("Namaqualand operations"), the Parties entered into a management and mining services agreement, whereby WCR has, subject to the fulfilment of suspensive conditions customary for an agreement of this nature, appointed Kernel Resources as an independent contractor to perform management and mining services in connection with the Namaqualand operations.

Details of the above agreement were released on SENS on 10 May and 21 May 2019 and are available on Trans Hex's website at www.transhex.co.za/announcements.

The Group received an offer to purchase the head office building, which was accepted on 13 May 2019. The Group has agreed to dispose the property for a total cash consideration of R30 million (exclusive of VAT) payable on the date of transfer of the property. The carrying value of the property at 31 March 2019 was R1 008 755.

Details of the above transaction were released on SENS on 20 May 2019 and are available on Trans Hex's website at www.transhex.co.za/announcements.

The directors are not aware of any other material event which occurred after the reporting date and up to the date of this report.

Going concern

The Board of Directors (the Board) has resolved that the going concern assumption on the group, as consolidated, is appropriate. In reaching this conclusion the board, inter alia, considered the real drivers on this assumption, being the cash flows for the ensuing year, in particular those of West Coast Resources Proprietary Limited and assumptions embedded therein. The board also applied its mind to the worst case scenario regarding the potential disposal of West Coast Resources, comprising 67.2% of the West Coast Resources shares, to Kernel Resources.

The Group's ability to fund its short-term liquidity requirements is dependent on the financial support of its shareholders and the IDC, creating a material uncertainty which may cast doubt about the Group's ability to continue as a going concern.

External auditors

Mazars was appointed as the Company's external auditor, with Mr Duncan Dollman acting as the designated audit partner with effect from 15 January 2019. The board conducts an annual evaluation of the performance of the Company's external auditors who are nominated by the Audit and Risk Committee and whose appointment is approved by shareholders at the Annual General Meeting.

Annual Integrated Report

Information on the Group's activities and performance is contained in this Annual Integrated Report. The board acknowledges its responsibility to ensure the integrity of the report and, accordingly, applies its mind annually to this end. In the opinion of the board, the report addresses all material issues and presents fairly the integrated performance, sustainability and impacts of the Company.

Corporate governance

The board reaffirms its commitment to sound governance. It ensures that the Group's business is conducted to the highest standards of corporate governance, including risk management and control, and in accordance with locally and internationally accepted corporate governance guidelines. Details are provided on pages 44 to 48.

Accounting policies

The principal accounting policies applied in the preparation of the consolidated and separate financial statements are set out on pages 80 to 94.



MVZ Wentzel
Chairman

Parow
25 July 2018



L Delpont
Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Trans Hex Group Limited

Opinion

We have audited the consolidated and separate financial statements of Trans Hex Group Limited (the Group), set out on pages 74 to 143, which comprise the statements of financial position as at 31 March 2019, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 31 March 2019, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa.

We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

The accompanying financial statements have been prepared assuming that the Group will continue as a going concern. Management's evaluation of the events and conditions, includes management's plans regarding the potential disposal of the interest which Trans Hex Diamante Ltd holds in West Coast Resources (Pty) Ltd as described in note 39. The financial statements do not include any adjustments that might result, should the disposal not be concluded. As stated in note 39, these events or conditions, along with other matters as set out in note 39, indicated that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters. In addition to the matter described above in the Material uncertainty related to going concern section, we have determined that the matters described below to be the key audit matters to be communicated in our report.

Consolidated financial statements

Matter	Audit response
Environmental rehabilitation provisions (note 18) Given the nature of the Group's operations and industry it operates in, the Group incurs obligations to rehabilitate and restore the environmental disturbances caused as a result of its operations. These obligations arise as a result regulatory requirements imposed on the mining industry by the Department of Mineral Resources ("DMR"). The Group applies the guidelines as issued by the DMR to calculate the rehabilitation liability. The Group makes use of an external expert to report on the disturbances, which management utilises to quantify the Group's overall liability for rehabilitation purposes. There are significant accounting judgements which are more fully described in the significant judgement and estimates section included with the accounting policies note (note 18) relating to the recognition of environmental rehabilitation provisions. As at 31 March 2019, the Group reported a consolidated environmental rehabilitation provision amounting to R69,941,000 (2018: R178,424,000), which have been further explained in note 18. Due to the significance of the environmental rehabilitation provisions figure in the statement of financial position, and the significant amount of judgement involved in the determination of the value, this was a key audit matter.	<p>We followed a fully substantive approach, and performed the following procedures on the Group's rehabilitation provisions:</p> <ul style="list-style-type: none">• We obtained management's provision calculations and compared the methodology to the Group's policy;• We tested the mathematical accuracy of the calculation and life of mine assessment;• We assessed the competence and reliability of work of the Group's environmental expert in terms of ISA 500 by reviewing their qualifications and assessing his expertise by confirming his accreditation and years of industry experience, and testing the assumptions, methods and data used;• We performed our own independent calculation which we compared to that of management's calculation.; and• We considered the appropriateness of the disclosures regarding the provisions in the financial statements in terms of IFRS. <p>Based on our procedures performed, we found the evidence for the environmental rehabilitation provisions recognised to support our opinion.</p>
Property, Plant and Equipment - Assessment of residual values and useful lives of assets (Note 3) The Group has a significant investment in property, plant and equipment as set out in note 3 to the financial statements. Plant and machinery used in the mining process represents 42% of the total carrying value. We accordingly focused our audit attention on this category. The valuation of assets has been identified as a key audit matter, due to the following elements having a significant impact on the valuation process: <ul style="list-style-type: none">• Residual values and useful lives assigned to assets; and• Identification of impairment indicators, and where identified, impairment testing. Management applies estimates and judgements in its determination of residual values and useful lives of assets. Management reviews the residual values and useful lives of assets at each financial year end and adjusts for changes, where appropriate. Determination of the useful lives and residual value are based on the current estimated market value, as well as the age and condition of the assets expected at the end of the useful life. Changes in the estimated useful life and residual values could result in volatility in the depreciation charge. Please refer to the prior period error (note 36) that resulted due to the reassessment of the useful life.	<p>We performed the following procedures amongst others:</p> <ul style="list-style-type: none">• We evaluated the assumptions made by management in the determination of residual values and useful lives to ensure that these are consistent with the principles of IAS 16 Property, plant and equipment;• We reviewed management's assessment of asset useful lives and residual values and performed reasonability tests by comparing this to historic profits and losses made on retirement or sale of assets at the end of their useful lives, current average usage periods and current market conditions;• We recalculated the depreciation charge per asset category and compared this to the amount recorded in the accounting records;• Using our understanding of events and conditions occurring within Group entities, we determined whether any impairment considerations may exist. We compared this assessment to those performed by management;• We obtained management's assessment of impairment for PPE items and considered the reasonability of the estimates, judgements and calculations thereof;• Where impairment indications were identified, we reviewed the impairment tests performed by management for reasonability thereof, including significant inputs and assumptions used, given our knowledge of the business and the industry; and• During the existence and completeness testing of PPE, items were scrutinised for any indications or signs of impairment. <p>Having performed our audit procedures and evaluated the outcomes we concluded that our audit procedures appropriately address the key audit matter.</p>

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Trans Hex Group Limited

Separate financial statements

Based on our assessment and audit work performed, there are no key audit matters raised in the separate financial statements of Trans Hex Group Limited.

Other information

The financial statements of Trans Hex Group Limited for the year ended 31 March 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on 20 June 2018. The directors are responsible for the other information. The other information comprises the Report of the Board of Directors, the Audit and Risk Committee Report, the Certificate by the Company Secretary as required by the Companies Act of South Africa, the Shareholder analysis and the integrated annual report which we obtained prior to the date of this report. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and / or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Mazars has been the auditor of Trans Hex Group Limited for one year.



MAZARS
Partner: Duncan Dollman
Registered Auditor
25 July 2019
Cape Town

STATEMENT OF FINANCIAL POSITION

as at 31 March 2019

		Group			Company	
	Notes	2019 R '000	2018 Restated* R '000	1 April 2017 R '000	2019 R '000	2018 Restated* R '000
Assets						
Non-current assets						
Property, plant and equipment*	3	313 753	351 308	59 301	–	–
Intangible assets	4	9 910	–	–	–	–
Investments in subsidiaries	5	–	–	–	30 695	31 884
Investments in associates*	6	170 910	114 217	195 822	–	–
Other financial assets	7	84 906	127 458	3 000	–	–
Investment held by environmental trust	8	75 293	70 459	65 803	–	–
		654 772	663 442	323 926	30 695	31 884
Current assets						
Inventories	9	51 270	74 522	59 276	–	–
Trade and other receivables	10	20 151	18 398	80 026	298	170
Current tax receivable		4	3	3	4	2
Cash and cash equivalents	11	65 474	79 364	225 400	77	77
		136 899	172 287	364 705	379	249
Non-current assets held for sale and assets of disposal groups	12	8 602	36 308	–	–	–
Total assets		800 273	872 037	688 631	31 074	32 133
Equity						
Equity attributable to equity holders of parent						
Stated capital	13	224 678	224 678	206 276	226 494	226 494
Reserves	15	(29 646)	(18 684)	(14 308)	–	–
Accumulated profit/(loss)*		85 803	(61 382)	170 786	(196 522)	(195 108)
		280 835	144 612	362 754	29 972	31 386
Non-controlling interest*		27 663	30 786	1 483	–	–
Total equity		308 498	175 398	364 237	29 972	31 386

*These items were restated. Refer to note 35, 36 and 37.

STATEMENT OF FINANCIAL POSITION

as at 31 March 2019

				Group	Company	
	Notes	2019 R '000	2018 Restated* R '000	1 April 2017 R '000	2019 R '000	2018 Restated* R '000
Liabilities						
Non-current liabilities						
Other financial liabilities	16	91 732	111 813	–	–	–
Deferred tax	17	–	1 742	–	–	–
Employee and rehabilitation provisions	18	82 827	192 457	119 464	–	–
		174 559	306 012	119 464	–	–
Current liabilities						
Trade and other payables	19	72 878	63 243	123 391	1 102	747
Interest in joint ventures	20	83 720	69 595	81 539	–	–
Other financial liabilities	16	158 047	158 186	–	–	–
		314 645	291 024	204 930	1 102	747
Liabilities of disposal groups	12	2 571	99 603	–	–	–
Total liabilities		491 775	696 639	324 394	1 102	747
Total equity and Liabilities		800 273	872 037	688 631	31 074	32 133

*These items were restated. Refer to note 35, 36 and 37.

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 31 March 2019

		Group		Company	
	Notes	2019 R '000	2018 Restated* R '000	2019 R '000	2018 Restated* R '000
Continuing operations					
Revenue from contracts with customers*	22	312 556	204 685	2 553	3 069
Cost of goods sold		(403 002)	(169 477)	–	–
Gross (loss)/profit		(90 446)	35 208	2 553	3 069
Other operating gains/(losses)*	23	190 245	(13 718)	–	–
Other operating expenses*		(63 916)	(66 440)	(3 967)	(64 520)
Operating profit/(loss)	24	35 883	(44 950)	(1 414)	(61 451)
Investment income	25	16 002	25 020	–	–
Finance costs	26	(39 293)	(32 995)	–	–
Income from equity accounted investments	6	50 410	38 662	–	–
Profit/(loss) before taxation		63 002	(14 263)	(1 414)	(61 451)
Taxation	27	1 742	(1 748)	–	(2)
Profit/(loss) from continuing operations		64 744	(16 011)	(1 414)	(61 453)
Discontinued operations					
Profit/(loss) from discontinued operations	12	79 319	(213 033)	–	–
Profit/(loss) for the year		144 063	(229 044)	(1 414)	(61 453)
Profit/(loss) attributable to:					
Owners of the parent:					
From continuing operations		67 866	(19 134)	(1 414)	(61 453)
From discontinued operations		79 319	(213 033)	–	–
		147 185	(232 167)	(1 414)	(61 453)
Non-controlling interest:					
From continuing operations		(3 122)	3 123	–	–
Earnings per share					
From continuing and discontinued operations					
Basic earnings/(loss) per share (cents)	28	127.83	(201.65)	–	–
From continuing operations					
Basic earnings/(loss) per share (cents)	28	58.94	(16.62)	–	–
From discontinued operations					
Basic earnings/(loss) per share (cents)	28	68.89	(185.03)	–	–

*These items were restated. Refer to note 35, 36 and 37.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2019

	Group		Company	
	2019 R '000	2018 Restated* R '000	2019 R '000	2018 Restated* R '000
Profit/(loss) for the year	144 063	(229 044)	(1 414)	(61 453)
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurements of post-employment benefit obligations	–	320	–	–
Items that may be re-classified to profit or loss:				
Recycling of foreign currency translation differences on repayment of long-term receivables from foreign operations	(9 797)	(4 928)	–	–
Translation differences on foreign subsidiaries before and after tax	(1 165)	232	–	–
Total items that may be reclassified to profit or loss	(10 962)	(4 696)	–	–
Other comprehensive income for the year net of taxation	(10 962)	(4 376)	–	–
Total comprehensive income/(loss)	133 101	(233 420)	(1 414)	(61 453)
Total comprehensive income/(loss) from continuing operations attributable to:				
Owners of the parent	56 902	(23 510)	(1 414)	(61 453)
Non-controlling interest	(3 122)	3 123	–	–
Comprehensive income/(loss) from discontinued operations attributable to:				
Owners of the parent	79 319	(213 033)	–	–
	133 101	(233 420)	(1 414)	(61 453)

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2019

	Stated capital	Other reserves	Accumulated (loss)/profit	Total attributable to equity holders of the Group/ Company	Non- controlling interest	Total equity
	R '000	R '000	R '000	R '000	R '000	R '000
Consolidated						
Opening balance as previously reported	206 276	(14 308)	164 407	356 375	–	356 375
Adjustments						
Useful life reassessment	–	–	6 379	6 379	1 483	7 862
Balance at 31 March 2017 as restated	206 276	(14 308)	170 784	362 752	1 483	364 235
Loss for the year	–	–	(231 846)	(231 846)	3 123	(228 723)
Other comprehensive loss	–	(4 376)	(320)	(4 696)	–	(4 696)
Shares issued during the year	18 402	–	–	18 402	–	18 402
Acquisition of subsidiary	–	–	–	–	68 185	68 185
Subsequent measurement	–	–	–	–	(42 005)	(42 005)
Balance at 31 March 2018	224 678	(18 684)	(61 382)	144 612	30 786	175 398
Profit for the year	–	–	147 185	147 185	(3 122)	144 063
Other comprehensive loss	–	(10 962)	–	(10 962)	–	(10 962)
Balance at 31 March 2019	224 678	(29 646)	85 803	280 835	27 663	308 498
Notes	13	15				
Company						
Balance at 31 March 2017	208 092	–	(133 656)	74 436	–	74 436
Loss for the year	–	–	(61 452)	(61 452)	–	(61 452)
Shares issued during the year	18 402	–	–	18 402	–	18 402
Balance at 31 March 2018	226 494	–	(195 108)	31 386	–	31 386
Loss for the year	–	–	(1 414)	(1 414)	–	(1 414)
Balance at 31 March 2019	226 494	–	(196 522)	29 972	–	29 972
Notes	13	15				

STATEMENT OF CASH FLOWS

for the year ended 31 March 2019

		Group		Company	
	Notes	2019 R '000	2018 Restates R '000	2019 R '000	2018 Restated R '000
Cash flows from operating activities					
Cash used in operations	29	(83 935)	(264 464)	–	–
Tax paid	30	(2)	(3)	–	–
Net cash from operating activities		(83 937)	(264 467)	–	–
Cash flows from investing activities					
Purchase of property, plant and equipment*	3	(7 656)	(6 579)	–	–
Sales of property, plant and equipment*	3	6 896	15 087	–	–
Purchase of other intangible assets	4	(9 910)	–	–	–
Loans to associates repaid		47 463	20 160	–	–
Loans advanced to associates		–	(8 903)	–	–
Decrease in other financial assets		50 000	–	–	–
Proceeds on disposal of business	12	69 250	–	–	–
Dividends received from associate		16 090	10 716	–	–
Interest income		3 721	5 904	–	–
Net cash from investing activities		175 854	36 385	–	–
Cash flows from financing activities					
Proceeds from other financial liabilities	31	–	95 000	–	–
Repayment of other financial liabilities	31	(98 713)	(6 848)	–	–
Finance costs		(9 262)	(4 160)	–	–
Net cash from financing activities		(107 975)	83 992	–	–
Total cash movement for the year		(16 058)	(144 090)	–	–
Cash at the beginning of the year		79 364	225 400	77	77
Effect of exchange rate movement on cash balances		2 168	(1 946)	–	–
Total cash at end of the year	11	65 474	79 364	77	77

ACCOUNTING POLICIES

Trans Hex Group Limited is a public company incorporated and domiciled in South Africa.

1. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate annual financial statements are set out below.

1.1 Basis of preparation

The consolidated and separate annual financial statements have been prepared on the going-concern basis in accordance with International Financial Reporting Standards (IFRS) and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, effective at the time of preparing these annual financial statements, and the Companies Act of South Africa.

The annual financial statements have been prepared on the historic cost basis, except for the revaluation of financial assets at fair value through profit or loss, which follow and incorporate the principal accounting policies set out below. They are presented in rands, which is the Group's and Company's functional currency.

These accounting policies are consistent with the previous period, except for the adoption of IFRS 9 and IFRS 15 as discussed below.

1.2 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee, which makes strategic decisions.

1.3 Consolidation

Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the Company and all subsidiaries. Subsidiaries are entities that are controlled by the Group. The Group has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity, and it has the ability to affect those returns through using its power over the entity.

The results of subsidiaries are included in the consolidated annual financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the annual financial statements of subsidiaries to bring their accounting policies in line with those of the Group.

All inter-company transactions, balances, and unrealised gains on transactions between Group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the Company.

Business combinations

The Group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Any previously held equity interest is remeasured to fair value at the acquisition date, with the gain or loss recognised in profit or loss. Costs directly attributable to the business combination are expensed as incurred.

ACCOUNTING POLICIES

The acquiree's identifiable assets, liabilities and contingent liabilities, which meet the recognition conditions of IFRS 3 Business combinations, are recognised at their fair values at acquisition date. Accordingly, a provisional valuation of identifiable assets acquired and liabilities assumed will be recognised.

Comparative information is subsequently adjusted upon finalisation of provisional valuation allocations to the final valuations of identifiable assets acquired and liabilities assumed.

A gain on bargain purchase, measured as the excess of the identifiable net assets acquired and the aggregate of the consideration transferred, non-controlling interest and the fair value of the previously held interest, is recognised in profit or loss. Non-controlling interests in the acquiree are measured at the non-controlling interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

1.4 Joint arrangements

Investments in joint arrangements are classified either as joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

1.5 Investments in associates

Companies in which the Group holds a long-term interest, and over whose financial and operating policies a significant influence can be exercised, are accounted for as associated companies according to the equity method of accounting and are initially recognised at cost. Associated companies are entities over which the Group generally has between 20% and 50% of the voting rights, but which it does not control. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

The Group determines at each reporting date whether there is objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of the impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent with 'share of profit/(loss) of associates' in the statement of profit or loss.

Where an impairment on loans to associated companies was previously recognised, which no longer exists, the impairments are reversed and recognised in profit and loss. Loans for which settlement is neither planned nor likely to occur in the foreseeable future form part of the investment in associate. These loans are measured at amortised cost before the net investment in the associate is assessed for impairment. The Group revises its estimates of receipts under the loan annually, the effect of which is recognised in profit and loss.

ACCOUNTING POLICIES

1.6 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Revenue recognition and presentation

Gross versus net

When deciding the most appropriate basis for presenting revenue, both the legal form and substance of the agreement between the Group and its business partners are reviewed to determine each party's respective role in the transaction.

Where the Group's role in a transaction is that of principal, revenue is recognised on a gross basis. This requires revenue to comprise the gross value of the transaction billed to the customer, after trade discounts, with any related expenditure charged as an operating cost. Where the Group's role in a transaction is that of an agent, revenue is recognised on a net basis with revenue representing the margin earned.

Deferred tax asset relating to assessed losses

Uncertainty exists to the extent of future taxable profits, which is further supported by the recent performance. Therefore management has not recognised a deferred tax relating to assessed losses.

Classification of joint arrangements

Interest in Angolan joint ventures:

Classification

The Group's interest in its Angolan operations Luarica and Fucaúma are via interests of 35% and 32% respectively in two Associação em Participação, being unincorporated joint venture structures in the Republic of Angola. The Group classifies its interests in the two Associação em Participação as joint ventures, as decisions are taken by consensus and joint venture partners have rights to the net assets of the joint venture as per the joint venture agreement.

The Group's interest in its Angolan joint ventures is reflected in the Group statement of financial position as the Group's share of consolidated assets and liabilities of the joint ventures, as well as long-term receivables from the joint ventures. The long-term receivables were assessed on the basis of management's estimates of future cash flows to be derived from the respective Angolan cash-generating units (CGUs).

Calculations indicated that the Group will not be able to recover the receivable. Impairment losses have been recognised in the prior years. For purposes of assessment of impairment at CGU level, Luarica and Fucaúma are regarded as separate CGUs. The carrying values of the CGUs, which include allocated goodwill, are assessed by reference to their recoverable amounts, being the higher of fair value less costs to sell and value in use.

In terms of IAS 36, "Impairment of assets", the best evidence of an asset's fair value less costs to sell is a price in a binding sale agreement in arm's length transactions, or its market price less costs of disposal if the asset is traded in an active market. For Luarica and Fucaúma neither a binding sales agreement nor an active market is available. As both Luarica and Fucaúma are currently under care and maintenance, no reversal of impairment is considered appropriate.

ACCOUNTING POLICIES

Going-concern assumption

In determining the appropriate basis of preparation of the 2019 Consolidated Financial Statements, the directors are required to consider whether the Group can continue in operational existence for the foreseeable future. The Group and the Company's cash flow forecast indicate that the Group and the Company can, based on certain critical assumptions, continue in operational existence for the foreseeable future, namely for 12 months after the date of authorisation. The directors draw attention to the following critical assumptions that are key in arriving at the cash flows, namely:

West Coast Resources (Pty) Ltd transactions

The Group has entered into a management and Mining agreement with Kernel Resources in which Kernel Resources will take over the management and funding obligations of WCR. The agreement was subject to certain suspensive conditions. Furthermore, the Group has entered into discussions with Kernel Resources to potentially sell the Group's 67.2% interest in WCR.

In addition to the above the directors draw attention to the following facts:

- in both the Group and Company's financial statements, current liabilities exceed current assets; and
- the cash flow of the Group and Company is under pressure.

These facts therefore cast significant doubt upon the Group and Company's ability to continue as a going concern in the foreseeable future. If the Group and Company are to continue as a going concern, the sale of West Coast Resources (Pty) Ltd needs to be completed. This will ease the pressure on the Group and Company's cash flow for the foreseeable future and enable to Group and Company to meet its short-term debt obligations.

Key sources of estimation uncertainty

Impairment testing

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determines the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the CGU to which the asset belongs.

Impairment assessment of investment in Somiluana

For the purposes of determining whether impairment has occurred, and the extent of any impairment, the carrying amount of the investment is compared to the present value of the estimated future cash flows. The estimated future cash flows are based on the Group's share of after tax-free cash flows available to Somiluana.

The key assumptions management uses in estimating the after tax-free cash flows are future diamond prices, expected production volumes, cash costs of production, capital expenditure, close-down, restoration and environmental clean-up appropriate to the local circumstances and environment. These assumptions and the judgements of management that are based on them are subject to change as new information becomes available.

Future price assumptions tend to be stable because management does not consider short-term increases or decreases in prices as being indicative of long-term levels, but they are nonetheless subject to change. Expected production volumes, which comprise proved reserves and unproved resources, are used for impairment testing because management believes this to be the most appropriate indicator of expected future cash flows. As discussed in the "Ore reserve estimates", estimates are inherently imprecise. Furthermore, projections about unproved volumes are based on information that is necessarily less robust than that available for mature resources. Changes in assumptions could affect the carrying amounts of assets, and impairment charges and reversals will affect income.

The key assumptions that have been taken into account in the impairment assessment are as follows:

- Discount rate 19.89%
- Diamond price per carat US\$424.00
- Forecasted ZAR/US\$ exchange rate R14.00/US\$

ACCOUNTING POLICIES

Impairment assessment of South African CGUs

During the current year, the mining operations of West Coast Resources Proprietary Limited experienced challenging and volatile market conditions resulting in continued losses. An impairment assessment was thus performed using the higher of fair value less costs to sell and value in use. The fair value is classified as a Level 3 fair value.

The fair value less costs to sell was determined based on management's estimate of the market value to be achieved through a binding sale agreement in an arm's-length transaction.

The estimates used for value in use are based on detailed mine plans and operating plans.

Future cash flows are based on estimates of:

- the quantities of the mineral resources and mineral reserves for which there is a high degree of confidence of economic extraction;
- future production levels;
- future commodity prices; and
- future cash costs of production, capital expenditure, close-down, restoration and environmental clean-up.

The cash flow forecasts are based on best estimates of expected future revenues and costs. These may include net cash flows expected to be realised from extraction, processing and sale of mineral resources that do not currently qualify for inclusion in proved or probable ore reserves. Such non-reserve material is included where there is a high degree of confidence in its economic extraction.

This expectation is usually based on preliminary drilling and sampling of areas of mineralisation that are contiguous with existing reserves. Typically, the additional evaluation to achieve reserve status for such material has not yet been done because this would involve incurring costs earlier than is required for the efficient planning and operation of the mine.

Based on these assessments, management concluded that an impairment loss should not be recognised during the current year.

The key assumptions that have been taken into account in the impairment assessment are as follows:

- Discount rate 14.8%
- Diamond price per carat US\$175.50
- Forecasted ZAR/US\$ exchange rate R14.00/US\$

Restoration obligations

Provision is made for the anticipated costs of future restoration and rehabilitation of mining areas from which natural resources have been extracted in accordance with the accounting policy. Provision is made for the anticipated costs of future restoration and rehabilitation of mining sites to the extent that a legal or constructive obligation exists in accordance with the accounting policy. These provisions include future cost estimates associated with reclamation, plant closures, waste site closures, monitoring, demolition, decontamination, water purification and permanent storage of historical residues. These future cost estimates are discounted to their present value. The calculation of these provision estimates requires assumptions such as application of environmental legislation, plant closure dates, available technologies and engineering cost estimates. A change in any of the assumptions used may have a material impact on the carrying value of rehabilitation provisions.

Retirement benefit obligations

An asset or liability in respect of defined benefit medical plans is recognised in the statement of financial position in accordance with the accounting policy. The present-value of a defined-benefit obligation is dependent on a number of factors that are determined on an actuarial basis.

Ore reserve estimates

There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated. Such changes in reserves could impact depreciation and amortisation rates, asset carrying values and deferred stripping calculations.

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Residual values and useful lives of items of property, plant and equipment

Property, plant and equipment is depreciated over its useful life taking into account residual values where appropriate.

Assessments of useful lives and residual values are performed annually after considering factors such as relevant market information, the condition of the asset and management's consideration. In assessing the residual values, the Group considers the remaining life of the assets, their projected disposal value and future market conditions. Refer to note 1.7 for estimates of useful lives.

1.7 Property, plant and equipment

All property, mining plant and equipment are recorded at historical cost less accumulated depreciation and impairment. Historical costs include expenditure that is directly attributable to the acquisition of the items and the estimated close-down and restoration costs associated with the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced cost is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Certain items can be transferred within land and buildings and mining plant and equipment due to the nature of the underlying asset and as a result of its change in use. All new assets are initially recognised as part of mining plant and equipment as assets under construction and once completed and available for use transferred to the correct class of asset. Depreciation and amortisation of alluvial mining properties, mine development costs and mine plant facilities are computed over the life of the mine principally by the units of production method. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Included in the value of the mining rights are mining properties, mine-development costs, and tailings dumps and mine plant facilities. These are recognised as part of property, plant and equipment due to the physical nature of the underlying asset compared to contractual rights included in intangible assets where the properties were not owned.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Earthmoving equipment	Units of production	10 000 – 45 000 hours
Mining rights	Straight line	20 years
Other property, plant and equipment	Straight line	1 – 20 years

Each part of an item of earthmoving equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each year is recognised in profit or loss. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Fair value is assessed by: estimating future net cash flows from each mine using estimates of production; future sales prices (considering historical and current prices, price trends and related factors); production and rehabilitation costs plus capital; or with reference to recent transactions for similar assets.

Management's estimates of future cash flows are subject to risks and uncertainties. Therefore, it is possible that changes could occur, which may affect recoverability of the Group's investments in mineral properties and other assets.

Undeveloped properties and mineral rights, upon which the Group has not performed sufficient exploration work to determine whether significant mineralisation exists, are carried at original acquisition cost. If it is subsequently determined that significant mineralisation does not exist, the property will be written down to estimated net recoverable value at the time of such determination.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within profit or loss.

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Impairments are reversed when the conditions resulting in the impairment are no longer effective. Reversal of impairments are recognised in profit or loss.

Exploration costs

Exploration costs are expensed until the point is reached at which there is a high degree of confidence in the project's viability, and it is considered probable that future economic benefits will flow to the Group. Revenue earned from the discovery of diamonds during the exploration phase is included in sales revenue in the income statement. The estimated cost of production of diamonds sold, not exceeding related revenue, are credited against exploration expenditure and included in cost of sales.

Deferred stripping costs

Where stripping costs have been incurred in excess of the expected pit-life average stripping ratio, these costs are deferred and charged to production when the exposed reserves are mined. Deferred stripping costs are included in mine development costs.

Rehabilitation costs

Rehabilitation costs and related accrued liabilities, based on the Group's assessment of current environmental and regulatory requirements, are accrued to reflect the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the reporting date. The costs so provided are capitalised as part of mining assets and depreciated accordingly. Annual increases in the provision are split between finance costs relating to the change in the net present value of the provision, inflationary increases in the provision estimate and restoration cost relating to additional environmental disturbances that have occurred. Remediation liabilities, other than rehabilitation costs, which relate to liabilities arising from specific events, are expensed when they are identified, probable and may be reasonably estimated.

Assets of the Rehabilitation Trust Fund are included in investments. This fund was established with the approval of the South African Revenue Service. Interest earned on monies paid to the Rehabilitation Trust Fund is accrued on an annual basis. It is reasonably possible that the Group's estimate of its ultimate rehabilitation liabilities could change as a result of changes in regulations or cost estimates.

1.8 Intangible assets

Intangible assets consist of contractual mining rights where properties were not owned and are carried at cost less any accumulated amortisation and any impairment losses. Amortisation of mining rights is computed over the estimated useful life of 20 years.

1.9 Investments in and loans to subsidiaries

Investments in and loans to subsidiaries are carried at cost less any accumulated impairment losses. Loans made by the holding company to its subsidiaries with no set terms and the intention to provide the subsidiary with a long-term source of capital, is considered to form part of the parent's investment in the subsidiary and therefore classified as non-current assets.

1.10 Financial instruments

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through OCI, or fair value through profit or loss. The classification of financial assets at initial recognition that are debt instruments depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient for contracts that have a maturity of one year or less, are measured at the transaction price determined under IFRS 15.

Other financial assets

Classification and measurement

Other financial assets include money market deposits and preference shares. Money market deposits are initially measured at

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fair value and classified as financial assets subsequently measured at amortised cost. The money market account has a fixed interest rate and the value of the investment does not fluctuate significantly with changes in fair value of the underlying assets. Preference shares are classified as financial assets measured at amortised cost. Dividends and interest received on these financial assets are recognised in the statement of profit or loss in the period in which they accrue.

Impairment

The money market deposits are considered to have low credit risk, and the loss allowance was therefore limited to 12 months' expected losses. Instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Trade and other receivables

Trade and other receivables include receivables from diamond sales as well as other receivables. Other receivables consist out of receivables with related entities and receivables from sale of operations.

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost.

Impairment

The Company recognises a loss allowance for expected credit losses on trade and other receivables, excluding value added taxes and prepayments. The amount of expected credit losses is updated at each reporting date.

The Company measures the loss allowance for trade and other receivables at an amount equal to lifetime-expected credit losses (lifetime ECL), which represent the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses

The Company assesses impairment of the different receivables on an individual basis. The impairment is calculated based on past defaults taking into account future-looking information. The forward-looking information is specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through the use of a loss allowance account.

Write off policy

The Company writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Board approval is required for material amounts being written off. Receivables written off may still be subject to enforcement activities under the Company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Investment held in environmental trust

Classification

Investments held in the environmental trust are classified as financial assets—measured at amortised cost using the effective-interest method.

Impairment

These investments are considered to have low credit risk, and the loss allowance was therefore limited to 12 months' expected losses. Investments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Cash and cash equivalents

Cash and cash equivalents are classified as financial assets measured at amortised cost. Cash and cash equivalents include cash

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in hand, deposits held at call banks, other short-term, highly liquid investments with maturity of three months or less at the date of purchase.

Trade and other payables

Trade payables are recognised initially at fair value and subsequently at amortised cost using the effective interest method. Trade payables are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Other financial liabilities

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective-interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Other financial assets (IAS 39): Other financial assets through profit and loss and loans and receivables

Purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair-value with fair value adjustments recognised in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Group's loans and receivables are carried at amortised cost using the effective-interest method.

Loans and trade receivables are initially measured at fair value and subsequently measured at amortised cost using the effective-interest method, less provision for impairment. A provision for impairment of loans and trade receivables is established when there is objective evidence that the Group will not be able to collect or realise all amounts due. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. The amount of the provision is recognised in the income statement during the year in which it is identified.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit ratings), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

1.11 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent that is unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Deferred tax assets and liabilities

The Group follows the liability method of accounting for deferred income tax, whereby deferred income tax is recognised for the tax consequences of temporary differences. This translates into applying the currently enacted tax rates to differences between the financial statement carrying amounts and the tax bases of certain assets and liabilities. Changes in deferred tax assets and liabilities include the impact of any tax rate change enacted during the year.

Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax assets relating to unredeemed capital expenditure and calculated tax losses are raised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Tax expenses

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

1.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

1.13 Inventories

Inventories, which include rough and polished diamonds, are measured at the lower of cost and net realisable value. Inventories are measured at the lower of cost of production and net realisable value on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Consumables are stated at the lower of cost on the weighted average basis or estimated net realisable value.

1.14 Non-current assets (disposal groups) held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (or disposal groups) held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as such. Assets and liabilities of a disposal group will be derecognised once all suspensive conditions have been met with a profit/(loss) recognised in the income statement between the carrying value of the assets and the liabilities and the proceeds received as part of the disposal.

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Where liabilities remain the responsibility of the Group subsequent to the conclusion of the transaction and in terms of the sales agreement, they will be reclassified accordingly from non-current assets and disposal groups held for sale.

1.15 Impairment of assets

The Group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the CGU to which the asset belongs is determined.

The recoverable amount of an asset or a CGU is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.16 Stated capital and equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. If the Group reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those treasury shares is deducted from equity until the shares are cancelled or reissued. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Consideration paid or received shall be recognised directly in equity.

1.17 Share-based payments

Cash-settled, share-based payments

Share appreciation units were granted to executive management from the 2007 financial year by a subsidiary of the Group. Units granted are linked to the share price, with appreciation for all units issued up to 31 March 2014 payable beginning one year from the date of grant with a vesting period of five years. One fifth vests at the end of each year. For units issued during and after the 2015 financial year, appreciation is payable beginning three years from the date of grant with a vesting period of three years. One sixth vests at the end of year three, two sixths at the end of year four and three sixths at the end of year five. The settlement is in cash.

The Group adopts the requirements of IFRS 2, "Share-based payments". The fair value of the employee services received in exchange for the share appreciation units is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the units granted, excluding the impact of any non-market-vesting conditions (for example, profitability and sales growth targets).

The share appreciation units are valued at each reporting date with any change in fair value recognised in the income statement over the vesting period of the rights. The fair value of the share appreciation units is determined through the use of option pricing models, which take into account market prices and the terms and conditions on which the share appreciation units were granted.

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1.18 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), is recognised in the period in which the service is rendered and is not discounted.

Defined-contribution plans

Payments to defined-contribution retirement benefit plans are charged as an expense as they fall due. Payments made to industry-managed retirement benefit-schemes are dealt with as defined contribution plans where the Group's obligation under the schemes is equivalent to those arising in a defined-contribution retirement-benefit plan.

1.19 Provisions and contingencies

Provisions are recognised when:

- the Group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Post-employment medical benefits

The present value of the liability of the Group in respect of future contributions for specific retired employees is determined every second year by independent actuaries. The actuarial valuation method used is the projected unit credit method prescribed by the relevant accounting standard. Future benefits are projected using specified actuarial assumptions and the liability for in-service members is accrued over expected working lifetime.

Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are charged or credited to equity in other comprehensive income in the year in which they arise. Only a limited number of current and past employees qualify for this benefit. This scheme is closed for any new participants.

Other long-term employee benefits

The Group provides for long-service awards that accrue to employees. Independent actuaries calculate the liability recognised in the statement of financial position in respect of long-service awards every second year, using the same accounting methodology as used for defined-benefits plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are charged or credited to equity in other comprehensive income in the year in which they arise.

1.20 Revenue from contracts with customers

Group

The Group has two revenue streams, namely the sale of diamonds and commission earned on third-party diamond sales.

Revenue from the sale of diamonds is recognised at a point in time when control passes to the customer. This generally occurs on physical collection of the diamonds by the client or transport agents.

Revenue is recognised upon receipt of the payment from the client, which usually occurs simultaneously with the collection of goods. Exceptional circumstances may arise where arrangements have been made for delayed payments. The contract is entered into and the transaction price is determined by virtue of the deal confirmation and there are no further adjustments to this price. Given that each spot sale represents the enforceable contract and all performance obligations are satisfied at that time, there are no remaining performance obligations (unsatisfied or partially unsatisfied) requiring disclosure.

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Commission on third-party diamond sales is earned when the sale occurs upon collection of the diamonds by the client or transport agents. The commission revenue is determined based on a fixed percentage of the sales price as contractually agreed with third parties.

Company

Administration fees are charged by the Company to subsidiaries in the Group for administration services rendered. The administration fees are recognised as revenue over time as the services are rendered. The fees charged to each company is agreed to on a yearly basis.

Interest is recognised by the Company, in profit or loss, using the effective interest rate method. Dividends are recognised by the Company, in profit or loss, when the Company's right to receive payment has been-established. Interest and dividends received within the Group are recognised as finance income.

1.21 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. All borrowing costs are recognised as an expense in the period in which they are incurred.

1.22 Translation of foreign currencies

Functional and presentation currency

Items included in the annual financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated annual financial statements are presented in Rand, which is the Group functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Investments in subsidiaries, joint ventures and associates

The results and financial position of a foreign operation are translated into the functional currency using the following procedures:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each item of profit or loss are translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences are recognised to other comprehensive income and accumulated as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss of sale. When repayments of loans classified as part of the net investment in foreign operations are received, this is treated as a partial disposal under paragraph 49 of IAS 21. Goodwill and fair-value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

1.23 Earnings per share

Basic earnings per share are computed by dividing the net income attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

1.24 Contingent liabilities

Contingent liabilities for the Group are disclosed for claims that could arise in the ordinary course of business and for performance guarantees issued by the Group.

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2. New standards and interpretation

2.1 Standards and interpretations effective and adopted in the current year

The Group applied IFRS 15 and IFRS 9 for the first time from 1 April 2018. The nature and effect of these changes as a result of the adoption of these new standards are described below. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year. Several other amendments and interpretations applied for the first time in 2018, did not have an impact on the consolidated financial statements of the Group and, hence, have not been disclosed.

IFRS 9 Financial instruments

The prior year's figures have not been restated. In the current year, the Group has applied IFRS 9 Financial instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for:

1. The classification and measurement of financial assets and financial liabilities, and
2. Impairment for financial assets.

Details of these new requirements, as well as their impact on the Group's consolidated financial statements, are described below:

Classification and measurement of financial assets

IFRS 9 addresses the classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. IFRS 9 includes guidance on financial liabilities and the derecognition of financial instruments.

The directors of the Company reviewed and assessed the Group's existing financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has not had a significant impact on the Group's financial assets.

IFRS 9 changes the classification of certain financial instruments. Trade and other receivables are all held to collect solely payments of principal and interest (SPPI) and continue to be measured at amortised cost along with other financial assets and loans. Similarly, borrowings and trade and other payables will continue to be measured at amortised cost. Investments held by the Rehabilitation Trust are to be measured at amortised cost where these were measured at fair value through profit or loss under IAS 39. The reclassification has, however, not had a material impact on the carrying value of these investments.

Impairment of financial assets

IFRS 9 requires an expected credit loss model to be used in impairing financial assets. It is no longer necessary for a credit loss event to have occurred before impairments are recognised.

The Group has elected to apply the simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables.

As at 1 April 2018, the Groups' directors reviewed and assessed the Group's existing financial assets and amounts due from customers for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognised. This did not result in material impact on the financial assets.

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Summary of change in category of financial instruments:

Instrument	IAS 39 Classification	IAS 39 Measurement	IFRS 9 Classification	IFRS 9 Measurement
Loans to associated companies	Loans and receivables	Amortised cost	Financial asset at amortised cost	Amortised cost
Trade receivables	Loans and receivables	Amortised cost	Financial asset at amortised cost	Amortised cost
Cash and cash equivalents	Loans and receivables	Amortised cost	Financial asset at amortised cost	Amortised cost
Other financial assets	Loans and receivables	Amortised cost	Financial asset at amortised cost	Amortised cost
Investment held in environmental trust	At fair value through profit or loss	At fair value through profit or loss	Financial asset at amortised cost	Amortised cost
Derivatives	At fair value through profit or loss	At fair value through profit or loss	Financial asset at fair value through profit or loss	At fair value through profit or loss
Borrowings	Other financial liability	Amortised cost	Financial liability at amortised cost	Amortised cost
Trade payables	Other financial liability	Amortised cost	Financial liability at amortised cost	Amortised cost

IFRS 15 Revenue from contracts with customers

IFRS 15 is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of the goods or services transfers to the customer. Revenue needs to be recognised at a point in time or over time depending on the performance obligation linked to separate elements of the contract with the customer.

The Group has two revenue streams being the sale of diamonds and commission earned on third-party diamond sales. The timing and measurement of the Group's revenue have not changed as a result of the implementation of IFRS 15. Risk and rewards of ownership and control of the diamonds passes to the purchaser when cash is received in the bank and revenue is recognised at that point in time when the diamonds are handed over to the purchaser. No further performance obligations were noted. The Group earns commission on third-party diamond sales. The revenue is recognised on the date of sale on a commission percentage basis.

2.2 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2019 or later periods:

IFRS 16 Leases

IFRS 16 Leases is a new standard, which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16, which are likely to impact the Group are as follows:

Group as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short-term leases or leases where the underlying asset has a low value, which are expensed on a straight-line or other systematic basis.

The effective date of the standard is for years beginning on or after 1 January 2019. Leases currently entered into the Group consist of short-term lease rentals for the general use of property and leases of office equipment (i.e. copiers) with low values attributable to the underlying assets. The treatment of these leases will, therefore, remain unchanged and have no impact on the Groups financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

3. Property, plant and equipment

Group	2019			2018		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Land and buildings	70 285	(1 998)	68 287	84 047	(13 009)	71 038
Plant and machinery	500 070	(369 533)	130 537	470 621	(314 107)	156 514
Mining rights	338 821	(223 892)	114 929	346 622	(222 866)	123 756
Total	909 176	(595 423)	313 753	901 290	(549 982)	351 308

Reconciliation of property, plant and equipment - Group - 2019

	Opening balance	Additions	Disposals	Classified as held for sale	Transfers	Depreciation	Impairments and reversal of impairments	Total
Land and buildings	71 038	462	(292)	(2 014)	(129)	(778)	–	68 287
Plant and machinery	156 514	7 194	(1 377)	(3 175)	129	(27 340)	(1 408)	130 537
Mining rights	123 756	–	–	(2 638)	–	(9 088)	2 899	114 929
	351 308	7 656	(1 669)	(7 827)	–	(37 206)	1 491	313 753

Reconciliation of property, plant and equipment - Group - 2018

	Opening balance	Additions	Additions through business combinations	Disposals	Classified as held for sale	Transfers	Depreciation	Total
Land and buildings	2 981	568	67 600	–	–	392	(503)	71 038
Plant and machinery	56 318	6 011	153 022	(6 697)	(33 064)	(392)	(18 684)	156 514
Mining rights	–	–	126 708	–	–	–	(2 952)	123 756
	59 299	6 579	347 330	(6 697)	(33 064)	–	(22 139)	351 308

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

Property, plant and equipment encumbered as security

The following assets have been encumbered as security for the other financial asset 16:

	Group		Company	
	2019	2018	2019	2018
	R '000	Restated* R '000	R '000	Restated* R '000
Land and buildings	41 411	41 373	–	–
First mortgage bond in favour of Constantia Insurance Company and second mortgage bond in favour of the Industrial Development Corporation		–	–	
Plant and machinery	130 340	152 525	–	–
Special notarial bond to the value R36.0 million and a notarial general covering bond in favour of the Industrial Development Corporation				

Reconciliation of property, plant and equipment previously reported as at 31 March 2018 to property, plant and equipment restated as at 31 March 2018

	Balance as previously reported	Restatement	Remeasurement relating to business combination	Depreciation adjustment	Restated closing balance
Land and buildings	44 555	–	26 483	–	71 038
Plant and machinery	148 652	4 983	–	2 879	156 514
Mining rights	305 426	–	(186 747)	5 041	123 756
	498 669	4 983	(160 264)	7 920	351 308

Registers with details of land and buildings are available for inspection by shareholders or their duly authorised representatives at the registered office of the Company and its respective subsidiaries.

Depreciation expense of R34 989 103 (2018: R26 362 039) has been included in cost of goods sold. Assets in the course of construction amounted to R158 099 (2018: R3 385 073).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

4. Intangible assets

Group	2019 R'000			2018 R'000		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Mining rights	9 910	–	9 910	–	–	–

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Total
Mining rights	–	9 910	9 910

Individually material intangible assets

Sea Concessions 8a, 9a and 8b	9 910	–	–
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

5. Investments in subsidiaries

The following table lists the entities that are controlled by the Group, either directly or indirectly, through subsidiaries.

Company				
Name of company	% holding 2019 Company	% holding 2018	Carrying amount 2019	Carrying amount 2018
Shares at book value				
Trans Hex Bemarking Limited	100.00%	100.00%	-	-
Buffelsbank Diamante Limited	100.00%	100.00%	1 481	1 481
Trans Hex Finansiering Limited	100.00%	100.00%	2 294	2 294
Trans Hex Diamante Limited	100.00%	100.00%	18 907	18 907
Advances and loans				
Buffelsbank Diamante Limited			292 191	293 380
Provision for impairment			(284 178)	(284 178)
			30 695	31 884

The above loan is unsecured, interest free with no fixed-payment terms. Changes to the solvency of certain loans to subsidiaries resulted in an impairment adjustment. The recoverable amount of the loans is based on the fair value less costs to sell of these loans to subsidiaries. The fair value is classified as Level 3 fair value as the valuation inputs are unobservable.

Subsidiaries with material non-controlling interests

The following information is provided for subsidiaries with non-controlling interests that are material to the reporting company. The summarised financial information is provided for a subsidiary of Trans Hex Diamante Limited and is prior to inter-company eliminations. The country of incorporation and the principal place of business are the same.

Subsidiary	Country of incorporation	% ownership interest held by non-controlling interest	
		2019	2018
West Coast Resources Proprietary Limited	South Africa	32.8%	32.8%

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

5. Investments in subsidiaries

Summarised statement of Financial Position

West Coast Resources (Pty) Ltd		
	2019	2018
Assets		
Non-current assets	448 974	622 534
Current assets	49 637	61 277
Total assets	498 611	683 811
Liabilities		
Non-current liabilities	162 913	318 922
Current liabilities	248 613	74 556
Total liabilities	411 526	393 478
Total net assets	87 085	290 333

Summarised statement of Financial Performance

West Coast Resources (Pty) Ltd		
	2019	2018
Revenue from contracts with customers	240 515	302 491
Other income and expenses	(395 091)	(326 967)
Loss before tax	(154 576)	(24 476)
Taxation	33 943	6 852
Loss for the period	(120 633)	(17 624)
Profit/(loss) allocated to non-controlling interest	(3 122)	3 123

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

5. Investments in subsidiaries

Summarised statement of cash flows		
	West Coast Resources (Pty) Ltd	
	2019	2018
Cash flows from operating activities	(63 567)	73 773
Cash flows from investing activities	42 124	(27 926)
Cash flows from financing activities	20 535	(45 566)
Net increase/(decrease) in cash and cash equivalents	(908)	281

6. Investments in associates

The following table lists all of the associates in the Group:

Group					
Name of company	Held by	% ownership interest 2019	% ownership interest 2018	Carrying amount 2019	Carrying amount 2018
Somiluana–Sociedade Mineira, S.A. ("Somiluana")		33.00%	33.00%	170 910	114 217

Somiluana–Sociedade Mineira, S.A. ("Somiluana")

Somiluana operates a diamond mine, located approximately 1 000 km north-east of Luanda in the diamond-rich province of Lunde Norte in Angola. The 33% investment in Somiluana is accounted for as an investment in an associate under the equity method.

West Coast Resources (Proprietary) Limited

On 1 February 2018, West Coast Resources (Proprietary) Limited became a subsidiary of the Group. Up to this date, the 40% investment in West Coast Resources (Proprietary) Limited was accounted for as an investment in an associate under the equity method.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

Summarised financial information of material associates

Summarised financial information of material associates		
Summarised statement of Financial Performance	Somiluana	
	31 December 2018	31 March 2018
Revenue	750 728	956 119
Profit before tax	242 892	184 738
Tax expense	(90 133)	(40 790)
Income for the period	152 759	143 948

Summarised statement of Financial Position		
	Somiluana	
	31 December 2018	31 March 2018
Assets		
Non-current assets	346 383	231 977
Current assets	509 915	373 964
Total assets	856 298	605 941
Liabilities		
Non-current liabilities	285 722	5 815
Current liabilities	183 574	374 499
Total liabilities	469 296	380 314
Total net assets	387 002	225 627

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

Reconciliation of net assets to equity-accounted investments in associates	Somiluana		West Coast Resources (Pty) Ltd		Total R'000	
	31 December 2018	31 March 2018	31 March 2019	31 March 2018	2019	2018
Investment in Somiluana	119 197	67 513	–	–	119 197	67 513
Loan to Somiluana	51 713	46 704	–	–	51 713	46 708
Carrying value of investment in associate	170 910	114 217	–	–	170 910	114 221
Investment at beginning of period	114 217	68 660	–	127 162		
Utilised with acquisition	–	–	–	(118 321)		
Fair value gain	51 713	38 759	–	–		
Repayment of loan amount	(47 463)	(20 159)	–	–		
Share of profit	50 410	47 503	–	(8 841)	50 410	38 662
Foreign-exchange differences	18 123	(9 830)	–	–		
Dividends received from associate	(16 090)	(10 716)	–	–		
Investment at end of period	170 910	114 217	–	–		

The summarised information presented above reflects the financial statements of the associates after adjusting for differences in accounting policies between the Group and the associate.

The loan to Somiluana represents a portion of the exploration costs previously incurred by the Group which, is recoverable from the mining company. In terms of the Somiluana mining contract, the Group has a contractual right to be reimbursed for the exploration costs incurred and as at 31 March 2019, the loan outstanding by Somiluana amounted to US\$16.6 million.

During the 2011 financial year, an amount of US\$10.5 million was recognised as a loan receivable by the Group. This represented the recoverable amount of the loan receivable from Somiluana when the entity was formed on 12 May 2010.

The Group re-measured the future cash flows of the loan at US\$3.69 million (2018: US\$3.5 million) with the fair-value gain recognised under other operating gains/(losses) in the Statement of Profit or Loss.

Associates with different reporting dates

The results of the associate for the 9-month period until 31 December 2018 has been included in the Group results, compared to 12 months in the prior period. The year end of the associate was 31 December 2018.

It has proved impracticable to obtain financial results for Somiluana as of the same date as that of the Group.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

	Group		Company	
	2019 R '000	2018 Restated* R '000	2019 R '000	2018 Restated* R '000
Preference shares				
During the 2015 financial year, 300 preference shares were acquired carrying a dividend rate of prime plus 3.5%	3 000	3 000	–	–
Money market deposits				
The effective interest rate on these deposits is 7.3% and these deposits have an average maturity of one day. Investments at the end of the period include deposits that are not available for general use by the Group.	81 906	124 458	–	–
The money market deposits were acquired in the business combination in the prior year in note 35.				
	84 906	127 458	–	–
Financial assets at amortised cost	84 906	127 458	–	–

7. Other financial assets

8. Investments held by environmental trust

Movement in investments held by the environmental trust:

Opening balance	70 459	65 803	–	–
Growth in environmental trust	4 834	4 656	–	–
Closing balance	75 293	70 459	–	–

The Rehabilitation Trust Fund in South Africa received cash contributions to accumulate funds for the Group's rehabilitation liability relating to the eventual closure of the Group's operations. Amounts are paid out from the trust fund following completion and once the South African Department of Mineral Resources approves the rehabilitation work. The contributions to the fund are placed with investment banks that are responsible for making investments in equity, money market instruments and call deposits. At year end investments held by the trust consisted of call deposits. The trust fund is to be used according to the terms of the trust deed and the assets are not available for the general purpose of the Group. The Group is not exposed to any risks relating to the trust.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

	Group		Company	
	2019	2018	2019	2018
	R '000	Restated* R '000	R '000	Restated* R '000

9. Inventories

Diamonds	36 290	61 622	–	–
Consumables	14 980	12 900	–	–
	51 270	74 522	–	–
Carrying value of inventories carried at fair value less costs to sell	20 407 381	4 081 444		

Expenses recognised as a result of the write-down to net realisable value amounted to R9 196 753.

Cost of inventories included in cost of goods sold amounted to R374.6 million (2018: R163.0 million).

10. Trade and other receivables

Trade receivables	1 950	3 238	–	–
Amounts due from related parties	5 890	5 855	–	–
Staff loans	301	1 179	–	–
Prepayments	461	1 815	–	170
Value Added Tax	5 715	8 606	278	–
Other receivables	10 872	2 297	20	–
Interest accrued	797	1 243	–	–
Provision for impairment of other receivables	(5 835)	(5 835)	–	–
	20 151	18 398	298	170

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group has taken payment terms and credit history of clients into consideration as part of its assessment.

Amounts due from related parties are provided for via the "provision for impairment of other receivables". These amounts are credit impaired as the counterparty is dormant and the loss allowance is measured at an amount equal to lifetime expected credit losses.

Other receivables include the amount receivable in respect of the sale of the LOR operations. The loss allowance with regards to these receivables has been measured at an amount equal to 12-months expected credit losses and is not material.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

	Group		Company	
	2019	2018	2019	2018
	R '000	Restated* R '000	R '000	Restated* R '000

Currencies

The carrying amount of trade and other receivables are denominated in the following currencies:

South African rand	20 151	17 249	298	170
US dollars	–	1 149	–	–

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	94	92	–	–
Bank balances	9 977	16 385	77	77
Short-term deposits	55 403	62 887	–	–
	65 474	79 364	77	77
Cash and cash equivalents held by the entity that are not available for use by the Group	15 403	13 887	–	–

These amounts relate to known amounts of cash held in bank accounts within the Group. The amounts serve as cash cover or security for guarantees issued by the banks or other guarantors. The guarantees represent demand guarantees and thus these represent short-term commitments of the Group. This cash is thus held to meet these short-term commitments of the Group.

The effective interest rates on short-term bank deposits varied between 0% and 7.3% (2018: nil% and 6.25%). These deposits have an average maturity of between one and 31 days.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

	Group		Company	
	2019	2018	2019	2018
	R '000	Restated* R '000	R '000	Restated* R '000

12. Discontinued operations or disposal groups or non-current assets held for sale

Angolan joint ventures

On 5 October 2011, the Angolan Ministry of Geology, Mines and Industry revoked the mining rights of the Luarica and Fucaúma joint ventures as no mining activities had been performed at the sites for a period of three years as a result of the projects being placed under care and maintenance.

The prescription of unclaimed debts of R1.5 million (2018: R2.3 million) is included below.

Profit and loss

Share of income from joint ventures	1 528	2 314	–	–
Profit before tax	1 528	2 314	–	–
Tax	–	–	–	–
	1 528	2 314	–	–

South African operations

The Group received an offer to purchase the head office building, which was accepted on 13 May 2019. The Group has agreed to dispose of property for a total cash consideration of R30.0 million (exclusive of value added tax) payable on the date of transfer of the property. The carrying value of the property at 31 March 2019 is R1 008 755.

The Group received an offer to purchase another property which, was accepted on 3 April 2019. The Group has agreed to dispose the property for a total cash consideration of R2.5 million (exclusive of value added tax) payable on the date of transfer of the property. The carrying value of the property at 31 March 2019 is R776 055.

Other mining operations of the entity have been assessed as meeting the recognition criteria of non-current assets held for sale and have been disclosed accordingly. The carrying value of the operations that were classified as being held for sale amounted to R6 817 524 as at 31 March 2019.

LOR operations

In 2018, assets and liabilities relating to the LOR operations were included under assets and liabilities of disposal Groups. These assets were disposed of a cash consideration of R72.0 million with R58.2 million of the liabilities transferred to other financial liabilities (refer to note 16).

During 2019, the LOR operations were sold, with effect 1 April 2018, for a cash consideration of R72.0 million. The cash consideration consisted of a R50.0 million payment, with the remaining balance settled in 8 equal monthly instalments of R2.75 million. At 31 March 2019, R69.25 million had been received with R2.75 million still due, which was included in trade and other receivables. A profit of R77.8 million has been realised as a result of the assets disposed of and liabilities transferred.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

	Group		Company	
	2019	2018	2019	2018
	R '000	Restated* R '000	R '000	Restated* R '000

Profit and loss

Revenue	–	205 874	–	–
Cost of goods sold	–	(426 109)	–	–
Gross loss	–	(220 235)	–	–
Other operating income	77 791	9 748	–	–
Other operating expenses	–	(1 029)	–	–
Operating profit/(loss)	77 791	(211 516)	–	–
Finance costs	–	(3 831)	–	–
Net profit/(loss) before tax	77 791	(215 347)	–	–
Tax	–	–	–	–
Net profit/(loss) after tax	77 791	(215 347)	–	–
Total profit/(loss) for the year	79 319	(213 033)	–	–

Assets and liabilities

Non-current assets held for sale

Property, plant and equipment	1 009	–	–	–
Investment property	776	–	–	–
	1 785	–	–	–

Assets of disposal groups

Inventories	–	3 244	–	–
Property, plant and equipment	6 817	33 064	–	–
	6 817	36 308	–	–
	8 602	36 308	–	–

Liabilities of disposal groups

Rehabilitation liabilities	2 571	99 603	–	–
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Cash flow

Net operating cash flows	–	(182 604)	–	–
Net investing cash flows	69 250	10 620	–	–
Net financing cash flows	–	171 984	–	–
	69 250	–	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

	Group		Company	
	2019	2018	2019	2018
	R '000	Restated* R '000	R '000	Restated* R '000

13. Stated capital

Authorised				
3 000 000 ordinary shares of no par value	–	–	–	–
Reconciliation of stated capital				
Opening balance	226 494	208 092	226 494	208 092
Consideration received for shares issued	–	18 402	–	18 402
115 488 113 ordinary shares of no par value	226 494	226 494	226 494	226 494
Treasury shares held by the Group	(1 816)	(1 816)	–	–
	224 678	224 678	226 494	226 494

During the prior period 9 436 838 shares were issued to RAC Investment Holdings Proprietary Limited (RAC), for a total consideration of R18 401 834, to acquire RAC's 27.2% shareholding in West Coast Resources Proprietary Limited, through Trans Hex Diamante Limited (refer to note 35).

The unissued shares were placed under the control of the Board of Directors until the forthcoming Annual General Meeting. The difference between the number of shares issued by the Company (115 488 113 shares) and the Group (115 135 785 shares) respectively, relates to treasury shares held by the Group.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

14. Share-appreciation units

The Group issued cash-settled, share-based awards (share-appreciation units) to certain employees. The fair value of these shares was estimated using the Binomial Tree Option Pricing Model taking into account the market price of the shares, the expected dividend yield, volatility in the share price, employee attrition and the expected life of the option. No further units were issued during the financial year. At 31 March 2019 the units issued were as follows:

Employee	Issue date	Issue price	Number of units at beginning of year	Number of units lapsed during the year	Number of units outstanding
L Delport	5 Jul 2008	R9.14	421 244	(421 244)	–
L Delport	22 Jan 2010	R4.31	78 142	(78 142)	–
L Delport	22 Jan 2011	R2.32	78 995	(78 995)	–
L Delport	22 Jan 2012	R3.33	169 927	(169 927)	–
L Delport	22 Jan 2013	R3.24	427 444	(427 444)	–
L Delport	22 Jan 2014	R4.05	504 275	(504 275)	–
L Delport	16 Feb 2015	R3.43	517 043	–	–
L Delport	15 Feb 2016	R2.84	209 187	–	517 043
IP Hestermann	22 Jan 2012	R3.33	25 482	(25 482)	209 187
IP Hestermann	22 Jan 2013	R3.24	95 702	(95 702)	–
IP Hestermann	22 Jan 2014	R4.05	145 648	(145 648)	–
IP Hestermann	16 Feb 2015	R3.43	248 695	(248 695)	–
IP Hestermann	15 Feb 2016	R2.84	100 599	(100 599)	–
Other employees	5 Jul 2008	R9.14	530 769	(530 769)	–
Other employees	22 Jan 2013	R3.24	151 212	(151 212)	–
Other employees	22 Jan 2014	R4.05	408 249	(408 249)	–
Other employees	16 Feb 2015	R3.43	945 585	(447 413)	498 172
Other employees	15 Feb 2016	R2.84	323 461	(141 311)	182 150
			5 381 659	(3 975 137)	1 406 522

15. Other reserves

Translation reserve comprises exchange differences on consolidation of foreign subsidiaries

Translation reserves	(29 646)	(18 684)	–	–
	(29 646)	(18 684)	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

	Group		Company	
	2019	2018 Restated*	2019	2018 Restated*
	R '000	R '000	R '000	R '000

16. Other financial liabilities

Non-current liabilities

Industrial Development Corporation
Loan secured by a second mortgage bond to the value of R38 775 000 over certain immovable properties and a general notarial bond over certain movable assets to the value of R173 383 700. The loan carries interest at the prime overdraft rate plus 0.4% compounded monthly and is repayable in 66 monthly instalments, the first of which was paid on 1 September 2016. The total amount, inclusive of capitalised interest, available under this loan is R189 010 000. Total value of assets secured over land and movable assets amounted to R171 750 719.

Current liabilities

Industrial Development Corporation
Loan secured by a second mortgage bond to the value of R38 775 000 over certain immovable properties and a general notarial bond over certain movable assets to the value of R173 383 700. The loan carries interest at the prime overdraft rate plus 0.4% compounded monthly and is repayable in 66 monthly instalments, the first of which was paid on 1 September 2016. The total amount, inclusive of capitalised interest, available under this loan is R189 010 000. Total value of assets secured over land and movable assets amounted to R171 750 719.

Revolving-loan facility
Revolving-loan facilities secured by a special notarial bond to the value of R264 000 000 over certain movable assets, cession of certain book debts, shares and claims. The loans carry interest at the rate of 2% per month. The total amount available under the facility is R148 000 000

Rehabilitation liability
The liability relates to the disposal of the Lower Orange River operations and was previously disclosed as under discontinued operations.

	158 047	158 186	–	–
	249 779	269 999	–	–

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for the year ended 31 March 2019

	Group		Company	
	2019	2018 Restated*	2019	2018 Restated*
	R '000	R '000	R '000	R '000

16. Other financial liabilities (continued)

Non-current liabilities

At amortised cost	91 732	111 813	–	–
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Current liabilities

At amortised cost	158 047	158 186	–	–
	249 779	269 999	–	–

17. Deferred tax

Deferred tax liability

Companies within the Group with net deferred income tax liabilities	–	(1 742)	–	–
Deferred tax liability	–	(1 742)	–	–

Comprised of temporary difference on

Capital allowances and other	(56 566)	(48 572)	–	–
Provisions	25 373	78 702	–	–
Assessed loss recognised	156 309	111 541	–	–
Tax losses for which deferred tax asset was not raised	(125 116)	(143 413)	–	–
	–	(1 742)	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

18. Employee and rehabilitation provisions

Reconciliation of employee and rehabilitation provisions - Group - 2019

	Opening balance	Additions	Utilised during the year	Other movements	Interest cost	Total
Provision for rehabilitation liabilities	178 424	–	–	(113 734)	5 251	69 941
Provision for long-service award	3 016	–	–	(1 147)	–	1 869
Provision for post-employment medical benefit	11 017	870	(870)	–	–	11 017
	192 457	870	(870)	(114 881)	5 251	82 827

Reconciliation of employee and rehabilitation provisions - Group - 2018

	Opening balance	Additions	Utilised during the year	Other movements	Interest cost	Total
Provision for rehabilitation liabilities	94 476	166 890	–	(99 603)	16 661	178 424
Provision for long-service award	13 917	1 475	(1 254)	(13 643)	2 521	3 016
Provision for post-employment medical benefit	11 071	–	(789)	(320)	1 055	11 017
	119 464	168 365	(2 043)	(113 566)	20 237	192 457

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

18. Employee and rehabilitation provisions

Provision for post-employment medical benefit:

The provision is independently actuarially determined every second year, with an independent forecast for the year in-between. The last independent actuarial valuation was at the end of March 2018.

Key assumptions used:	2019	2018
Discount rate	9.0%	9.0%
Health-care cost-inflation	7.8%	7.8%
Expected retirement age (years)	63	63

Mortality tables used

During employment: SA85 – 90 (Light) ultimate table PA(90).

Post-employment: PA(90) ultimate table rated down two years plus 1% improvement per annum (from a base year of 2006).

The sensitivity of the present value of unfunded obligations for changes in certain key assumptions used is as follows:

Health-care cost-inflation

Liability at 31 March 2019: -1%	10 135
Liability at 31 March 2019: +1%	12 028
Current service cost and interest cost for the year ending 31 March 2019: -1%	934
Current service cost and interest cost for the year ending 31 March 2019: +1%	1 139
Liability at 31 March 2019: +5% for 5 years	13 251
Liability at 31 March 2019: +10% for 5 years	15 880

Discount rate

Liability at 31 March 2019: -1%	12 049
Liability at 31 March 2019: +1%	10 133

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

18. Employee and rehabilitation provisions (continued)

The liabilities relating to the post-retirement medical plan were as follows for the current and four preceding financial years:

	Present value of obligations
2015	12 893
2016	10 784
2017	11 071
2018	11 017
2019	11 017

Fair value of plan assets was Rnil for the current and four preceding years.

The expected contributions to be paid for the period 1 April 2019 to 31 March 2020 amount to R869 352 (2019: R870 029).

Provision for long-service awards

The provision is independently actuarially determined every 2nd year, with forecast for the year in-between. The last independent actuarial valuation was at the end of March 2018.

Key assumptions used	2019	2018
Discount rate	8.4%	8.4%
Salary inflation	6.9%	6.9%
Expected retirement age (years)	63	63
CPI inflation	5.4%	5.4%

Mortality tables used

During employment: SA85 – 90 (Light) ultimate table PA(90).

Salary inflation

Liability at 31 March 2019: -1%	1 753
Liability at 31 March 2019: +1%	1 997

Discount rate

Liability at 31 March 2019: -1%	1 986
Liability at 31 March 2019: +1%	1 764

Expected retirement age

Liability at 31 March 2019: 1 year younger	1 467
Liability at 31 March 2019: 1 year older	2 046

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

Provision for rehabilitation liabilities

The provision is determined by an independent valuator and is recognised for the restoration and rehabilitation of current mining activities based on current environmental and regulatory requirements. It is expected that the provision will be settled at the end of the life of mine. The reason for the decrease was the reduction of the estimated cost of rehabilitation.

Additions during 2018 consisted of rehabilitation provisions acquired through business combinations.

Key assumptions used	2019	2018
Inflation rate	4.80%	4.00%
Risk-free rate	8.60%	7.02%
Other movements consists of the following:		
Classified as held for sale	2 570	
Remeasurement of rehabilitation provision	111 164	
Total	113 734	

19. Trade and other payables

	Group		Company	
	2019	2018	2019	2018
	R '000	Restated* R '000	R '000	Restated* R '000
Trade payables	47 322	34 487	–	–
Contractor fees payable	11 876	9 923	–	–
Other payables	1 511	1 958	1 102	747
Accrued leave pay and bonuses	3 798	5 330	–	–
Share appreciation units	272	1 998	–	–
Value Added Tax	515	55	–	–
Government royalties	7 584	9 497	–	–
	72 878	63 243	1 102	747

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for the year ended 31 March 2019

20. Interest in joint ventures

	Group		Company	
	2019	2018	2019	2018
	R '000	Restated* R '000	R '000	Restated* R '000
Joint ventures	(83 720)	(69 595)	–	–

Angolan joint ventures

Fucaúma Association and Luarica Association are unincorporated joint ventures as the Group has rights to the net assets and are equity accounted in note 21. These operations have been discontinued.

21. Joint arrangements

Joint ventures

The following table lists all of the joint ventures in the Group:

Groups	Held by	% ownership interest	% ownership interest	Carrying amount	Carrying amount
Name of company		2019	2018	2019	2018
Fucaúma Association (Angola)		32.00%	32.00%	–	–
Luarica Association (Angola)		35.00%	35.00%	–	–
Mvelaphanda Exploration (Proprietary) Limited (South Africa)		50.00%	50.00%	–	–
Northbank Diamonds Limited (Namibia)		50.00%	50.00%	–	–

Summarised financial information of material joint ventures

Summarised statement of financial performance	Angolan joint venture	
	2019	2018
Revenue	–	–
Profit before tax	4 365	6 826
Tax expense	–	–
Profit from continuing operations	4 365	6 826
Total comprehensive income	4 365	6 826
Interest in profit after income tax	1 528	2 314

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

21. Joint arrangements (continued)

Summarised statement of financial performance	Angolan joint venture	
	2019	2018
Assets		
Current		
Other current assets	104	85
Total current assets	104	85
Liabilities		
Current		
Other current liabilities	353 536	290 209
Total current liabilities	353 536	290 209
Total net liabilities	(353 432)	(290 124)
Set-off of loans to joint-venture partners	84 625	84 625
Total net liabilities after adjustments	(268 807)	(205 499)
Reconciliation of net assets to equity accounted investments in joint ventures		
Gross value	345 546	345 546
Set-off loans to joint-venture partners	(84 625)	(84 625)
Less: provision for impairment	(260 921)	(260 921)
Carrying value of investment in joint venture	–	–
Opening balance	69 595	81 539
Share of profit	(1 528)	(2 314)
Foreign exchange loss/(profit)	15 653	(9 630)
Loans to joint venture partners (note 20)	(83 720)	(69 595)
Investment at end of period	–	–

The summarised information presented above reflects the financial statements of the joint ventures after adjusting for differences in accounting policies between the Group and the joint venture.

Set-off of a financial asset and a financial liability

In the Group financial statements, this asset off-sets against a related liability to the other joint venture partners.

Other joint ventures

There are no commitments or contingent liabilities in respect of Mvelaphanda Exploration Proprietary Limited and Northbank Diamonds Limited. These operations are dormant and the results thereof are immaterial for Group purposes.

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22. Revenue from contracts with customers

	2019 R'000	2018 Restated* R'000	2019	2018 Restated* R'000
Sale of diamonds	307 474	192 542	–	–
Administration fees received	–	–	2 553	3 069
Commissions received	5 082	12 143	–	–
	312 556	204 685	2 553	3 069

Geographical external revenue for the Group is as follow:

South African customers	112 749	185 541	–	–
Foreign customers	199 807	225 017	–	–
Included in discontinued operations	–	(205 873)	–	–
	312 556	204 685	–	–

23. Other operating gains/(losses)

Gains/(losses) on disposals, scrapings and settlements

Property, plant and equipment	5 227	(1 357)	–	–
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Reversal of impairment losses

Investment property	776	–	–	–
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Foreign-exchange gains

Foreign-exchange gains	21 365	4 371	–	–
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Fair-value gains/(losses)

Loss on re-measurement to fair value with acquisition of subsidiary	–	(58 800)	–	–
Fair value gain in loan to associate	51 713	38 759	–	–
Re-measurement of rehabilitation provision	111 164	–	–	–
Gain on bargain purchase in a business combination	–	3 309	–	–

	162 877	(16 732)	–	–
Total other operating gains/(losses)	190 245	(13 718)	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

	Group		Company	
	2019 R '000	2018 Restated* R '000	2019 R '000	2018 Restated* R '000

24. Operating profit/(losses)

Operating profit/(loss) for the year is stated after charging (crediting) the following, amongst others:

Auditor's remuneration-external

Audit fees	2 747	3 459	–	–
Other consultation services	1 275	368	784	2
Tax and secretarial services	–	119	–	–
	4 022	3 946	784	2

Employee costs

Salaries, wages, bonuses and other benefits	86 800	51 558	1 709	1 925
Company contributions to retirement benefits	6 469	4 892	–	–
Other post-employment medical benefits	–	266	–	–
Termination benefits	2 611	8 457	–	–
Total employee costs	95 880	65 173	1 709	1 925

Leases

Operating lease charges

Equipment	1 241	1 627	–	–
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Depreciation and amortisation

Depreciation of property, plant and equipment	37 206	16 322	–	–
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Impairment losses

Loans to group companies	–	–	–	61 457
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Other

Other operating gains/(losses)*	Note 23 190 245	(13 718)	–	–
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

	Group		Company	
	2019	2018 Restated*	2019	2018 Restated*
	R '000	R '000	R '000	R '000

24. Operating profit/(losses) (continued)

Expenses by nature

The total cost of sales, selling and distribution expenses, marketing expenses, general and administrative expenses, research and development expenses, maintenance expenses and other operating expenses are analysed by nature as follows:

Employee costs	95 880	65 173	1 709	1 925
Operating lease charges	1 241	1 627	–	–
Depreciation, amortisation and impairment	37 206	16 322	–	61 457
Other expenses	312 508	134 782	2 258	1 138
Royalties	1 486	1 005	–	–
Exploration costs	10 387	6 574	–	–
Consulting and legal fees	8 210	10 434	–	–
Total	466 918	235 917	3 967	64 520

25. Investment income

Interest income from financial assets at amortised cost

From investment in financial assets at amortised cost				
Bank and other cash	311	358	–	–
Other financial assets	15 691	18 554	–	–
Other	–	6 108	–	–
Total interest income	16 002	25 020	–	–

26. Financial costs

Finance cost from financial liabilities at amortised cost	34 041	20 516	–	–
Unwinding of discount on provisions	5 252	1 479	–	–
Loan facility fees paid	–	11 000	–	–
Total financial costs	39 293	32 995	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

	Group		Company	
	2019	2018 Restated*	2019	2018 Restated*
	R '000	R '000	R '000	R '000

27. Taxation

Major components of the tax/(income) expense

Current				
Local income tax – current period	–	3	–	2
Deferred				
Deferred tax - current period	15 387	1 745	–	–
Deferred tax - prior period	(17 129)	–	–	–
Total	(1 742)	1 748	–	2

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	28.00%	28.00%	28.00%	28.00%
Amount for which a deferred tax asset was not recognised	(4.26)%	(36.60)%	–	–
Associates' results net of tax	(20.08)%	5.60%	–	–
Amounts not deductible for income tax purposes	3.06%	(4.40)%	(28.00)%	(28.00)%
Measurement period adjustment relating to business combination	(19.83)%	6.50%	–	–
Relating to the prior period	11.89%	–	–	–
Effective income tax rate	(1.22)%	(0.90)%	–	–

Amounts not deductible for the Group mainly relates to amounts of a capital nature. During the current period an adjustment was made to the prior period deferred tax, mostly relating to restatement of loans.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

	Group		Company	
	2019	2018 Restated*	2019	2018 Restated*

28. Earnings per share

Basic earnings/(loss) per share				
From continuing operations (cents share)	58.94	(16.62)	–	–
From discontinued operations (cents share)	68.89	(185.03)	–	–
	127.83	(201.65)	–	–

Basic earnings per share was based on earnings/(loss) of R147 183 270 (2018: (R232 166 567)) and a weighted-average number of ordinary shares of 115 135 785 (2018: 115 135 785).

Reconciliation of profit or loss for the year to basic earnings

Profit or loss for the year attributable to equity holders of the parent	67 865	(19 134)	–	–
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Heading earning per share

From continuing operations (cents share)	43.92	28.48	–	–
From discontinued operations (cents share)	1.33	(193.49)	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

	Group		Company	
	2019	2018 Restated*	2019	2018 Restated*

28. Earnings per share (continued)

Reconciliation between earnings/(loss) and headline earnings/(loss) from continuing operations				
Basic earnings/(loss) from continuing operations	67 865	(19 134)	–	–
Adjusted for:				
Gain on bargain purchase with acquisition of subsidiary	–	(38 142)	–	–
Finalisation of gain on bargain purchase with acquisition of subsidiary (adjustment)*	–	34 833	–	–
Loss on re-measurement to fair value with acquisition of subsidiary	–	58 800	–	–
(Profit)/loss on sale of assets	(5 227)	1 357	–	–
Foreign currency translation differences on repayment of long-term receivables from foreign operations recycled to profit or loss	(9 797)	(4 928)	–	–
Reversal of impairments	(6 869)	–	–	–
Additional impairments provided	4 601	–	–	–
	50 573	32 786	–	–
Reconciliation between earnings/(loss) and headline earnings/(loss) from discontinued operations				
Basic earnings/(loss) from discontinued operations	79 319	(213,033)	–	–
Adjusted for:				
Profit on sale of asset	(77 791)	(9 748)	–	–
	1 528	(222 781)	–	–

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for the year ended 31 March 2019

	Group		Company	
	2019	2018	2019	2018
	R '000	Restated* R '000	R '000	Restated* R '000
29. Cash used in operations				
Profit/(loss) before taxation	63 002	(227 298)	(1 414)	(61 451)
Adjustments for:				
Depreciation	37 206	22 139	–	–
Gains on disposal of assets	(5 227)	(8 391)	–	–
Gains on foreign exchange	(17 794)	(2 927)	–	–
Income from equity accounted investments	(50 410)	(38 662)	–	–
Interest income	(11 168)	(7 936)	–	–
Finance costs	39 293	21 995	–	–
Fair value gains	(51 713)	(38 759)	–	–
Gain on bargain purchase in a business combination	–	(3 309)	–	–
Impairment losses and reversals	(2 267)	–	–	61 457
Income from Trans Hex Rehabilitation Trust Fund	(4 834)	(6 098)	–	–
Increase in post-employment medical benefits	–	266	–	–
Decrease in long service awards	(1 147)	(10 901)	–	–
(Decrease)/increase in rehabilitation liabilities	(108 483)	16 661	–	–
Loss on re-measurement to fair value of acquisition of subsidiary	–	58 800	–	–
Angolan operations	(1 528)	(2 314)	–	–
Administration fees received	–	–	(2 553)	(3 069)
Other expenses	–	–	3 967	3 063
Changes in working capital				
Inventories	23 252	89 339	–	–
Trade and other receivables	(1 752)	11 569	–	–
Trade and other payables	9 635	(138 638)	–	–
			–	–
			–	–
	(83 935)	(264 464)	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

	Group		Company	
	2019	2018	2019	2018
	R '000	Restated* R '000	R '000	Restated* R '000
30. Tax paid				
Balance at beginning of the year	2	–	–	–
Current tax for the year recognised in profit or loss	–	(3)	–	–
Balance at end of the year	(4)	(2)	–	–
	(2)	(5)	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

31. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - Group - 2019

	Opening balance	Rehabilitation guarantee reclassified	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Other financial liabilities measured at amortised cost	269 999	58 200	29 555	87 755	(107 975)	249 779
Total liabilities from financing activities	269 999	58 200	29 555	87 755	(107 975)	249 779

Reconciliation of liabilities arising from financing activities - Group - 2018

	Opening balance	Acquired business combinations	Other non-cash movements	Total non-cash movements	Cash flows	Closing balance
Other financial liabilities measured at amortised cost	–	153 026	32 981	186 007	83 992	269 999
Total liabilities from financing activities	–	153 026	32 981	186 007	83 992	269 999

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

32. Related parties, associated companies and shareholders

Relationships

Significant shareholders

Group entities

Cream Magenta 140 Proprietary Limited
 Metcap Proprietary Limited
 RECM and Calibre Limited
 Benguela Concessions Limited
 Buffelsbank Diamante Limited
 Gem Diamond Mining Corporation Limited
 KPO Liberia*
 Marine West Proprietary Limited
 Matikara Prestacao De Servicos SARL*
 Mineracao Barra Grande Limitada
 Moonstone Diamonds (South Africa) Proprietary Limited
 Mvelaphanda Exploration Proprietary Limited^
 Namex Proprietary Limited
 Northbank Diamonds Limited^
 Ocean Diamond Mining 6C Proprietary Limited
 Ocean Diamond Mining 14C Proprietary Limited
 Oranje Kunene Diamante Limited
 Sida Ei gûs Diamond Mining Company Proprietary Limited
 Somiluana – Sociedade Mineira, S.A.*
 Trans Hex Angola Limitada
 Trans Hex België N V
 Trans Hex Bemarking Limited
 Trans Hex Brasil Limitada
 Trans Hex Diamante Limited
 Trans Hex Diamond Cutting Works Proprietary Limited
 Trans Hex Finansiering Limited
 Trans Hex Liberia Limited
 Trans Hex Marine (Namibia) Proprietary Limited
 Trans Hex Mynbou Limited
 Trans Hex Namibia Proprietary Limited
 Trans Hex Operations Proprietary Limited
 Trans Hex UK Limited
 Trans Hex (Zimbabwe) Limited
 Trans Tropic Trading Incorporated
 WADU – Investimentos Mineiros SARL
 Weasua Diamonds Limited*
 West Coast Resources Proprietary Limited
 X6688335 (South Africa) Proprietary Limited
 * Associated companies
 ^ Jointly controlled entities

All the entities are subsidiaries unless classified as one of the following:

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

32. Related parties, associated companies and shareholders (continued)

Related-party balances

	Group		Company	
	2019	2018	2019	2018
	R'000	Restated* R'000	R'000	Restated* R'000
Loan accounts owing (to)/by related parties				
Buffelsbank Diamante Limited	–	–	292 191	293 380
Somiluana – Sociedade Mineira, S.A.	51 713	46 708	–	–
Cream Magenta 140 Proprietary Limited	(25 163)	(48 608)	–	–
Metcap 14 Proprietary Limited	(25 163)	(48 608)	–	–
RECM and Calibre Limited	(13 787)	(26 611)	–	–
Amounts included in trade receivable/(trade payable) regarding related parties				
Trans Hex Group Trust	–	–	2	2
Short-term investments				
Regarding Capital Management Proprietary Limited	191 279	124 458	–	–
Related party-transactions				
Interest paid to/(received from) related parties				
Regarding Capital Management Proprietary Limited	(12 089)	(10 967)	–	–
West Coast Resources Proprietary Limited	–	(13 620)	–	–
Cream Magenta 140 Proprietary Limited	7 929	11 315	–	–
Metcap 14 Proprietary Limited	7 929	11 315	–	–
RECM and Calibre Limited	4 345	6 191	–	–
Administration fees received from related parties				
Trans Hex Operations Proprietary Limited	–	–	2 553	3 069
Sale of property, plant and equipment				
Somiluana – Sociedade Mineira, S.A.	–	4 645	–	–
West Coast Resources Proprietary Limited	–	10 759	–	–
Receipts for services rendered to associated companies				
West Coast Resources Proprietary Limited	–	15 190	–	–

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for the year ended 31 March 2019

32. Related parties, associated companies and shareholders (continued)

Related-party balances

	Group		Company	
	2019	2018	2019	2018
	R'000	Restated* R'000	R'000	Restated* R'000
Compensation to directors and other key management				
Short-term employee benefits	19 796	31 612	1 709	1 925

33. Directors' emoluments

Executive

2019	Emoluments	Other benefits	Retirement contribution	Termination Benefits	Total
L Delport	3 948	914	515	–	5 377
IP Hestermann	1 603	169	–	–	1 772
	5 551	1 083	515	–	7 149
2018					
L Delport	3 948	1 076	515	–	5 539
IP Hestermann	2 185	1 026	125	1 609	4 945
GM Van Heerden	1 698	501	195	1 932	4 326
	7 831	2 603	835	3 541	14 810

Non-executive

2019	Directors' fees	Total
MW Wentzel	731	731
PG Viljoen	286	286
AG Rhoda	405	405
AJ Marais	286	286
	1 708	1 708
2018		
MW Wentzel	842	842
PG Viljoen	328	328
AG Rhoda	426	426
AJ Marais	56	56
QJ George	273	273
	1 925	1 925

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34. Categories of financial instruments

	Notes	Financial assets at fair value through profit/(loss)	Loans and receivables	Financial assets as amortised cost	Financial liabilities at amortised cost	Total
Categories of financial instruments - Group - 2019						
Other financial assets	7	–	–	84 905	–	84 905
Investment held by environmental trust	8	–	–	75 293	–	75 293
Trade and other receivables	10	–	–	13 975	–	13 975
Cash and cash equivalents	11	–	–	65 474	–	65 474
Other financial liabilities	16	–	–	–	249 779	249 779
Trade and other payables	19	–	–	–	67 055	67 055
Categories of financial instruments - Group - 2018						
Other financial assets	7	–	127 458	–	–	127 458
Investment held by environmental trust	8	70 459	–	–	–	70 459
Trade and other receivables	10	–	7 977	–	–	7 977
Cash and cash equivalents	11	–	79 363	–	–	79 363
Other financial liabilities	16	–	–	–	269 999	269 999
Trade and other payables	19	–	–	–	46 363	46 363
Categories of financial instruments - Company - 2019						
Trade and other receivables	10	–	–	20	–	22
Cash and cash equivalents	11	–	–	77	–	77
Trade and other payables	19	–	–	–	1 103	1 103
Categories of financial instruments - Company - 2018						
Trade and other receivables	10	–	37	–	–	37
Cash and cash equivalents	11	–	77	–	–	77
Trade and other payables	19	–	–	–	747	747

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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35. Business combinations

	Group		Company	
	2019	2018	2019	2018
	R '000	Restated* R '000	R '000	Restated* R '000

Measurement-period adjustments

The opening balance sheet of West Coast Resources Proprietary Limited has been fully consolidated within the Group as of 1 February 2018. Accordingly, a provisional valuation of identifiable assets acquired and liabilities assumed was made as at 31 March 2018 upon the conclusion of the 2018 annual financial statements.

The following table summarises the movements in identifiable assets acquired and liabilities assumed from the provisional valuation allocations to the final valuations:

Statement of Financial Position

Property, plant and equipment

Previously stated	–	194 139	–	–
Adjustment	–	26 483	–	–
	–	220 622	–	–

Mining rights

Previously stated	–	313 455	–	–
Adjustment	–	(186 747)	–	–
	–	126 708	–	–

Deferred tax liability

Previously stated	–	32 201	–	–
Adjustment	–	(32 201)	–	–
	–	–	–	–

Profit or loss

Net asset value purchased (67.2%)

Previously stated	–	139 695	–	–
Adjustment	–	86 058	–	–
	–	53 637	–	–

Previously held equity (40%)

Previously stated	–	(83 151)	–	–
Adjustment	–	51 225	–	–
	–	31 926	–	–

Gain or bargain purchase

Previously stated	–	38 142	–	–
Adjustment	–	(34 833)	–	–
	–	3 309	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

35. Business combinations (continued)

Provisional gain on bargain purchase at the end of March 2018

The net assets provisional fair value disclosed at the end of the 2018 financial year amounted to R207,8 million and took into account:

- intangible assets of R313.5 million for the mining rights;
- tangible assets of R194.1 million;
- inventories of R107.8 million;
- trade receivable of R5.6 million and trade payables of R134.3 million;
- other financial assets of R123.0 million;
- net deferred tax liabilities of R3.2 million;
- provisions of R166.9 million; and
- financial net debt of R202.9 million.

The provisional fair values were adjusted as indicated in the table above upon the finalisation of the valuations. Comparative information for prior periods presented has been revised accordingly.

36. Prior period errors

The Group's financial statements were amended retrospectively with regards to the year ending 31 March 2018.

The Group reassessed the useful life of several items still in use within property, plant and equipment, in line with current assessments.

The Group accounts for its loan to Somiluana as a long term interest that is part of its net investment in the associate. The loan is measured at amortised cost before the total net investment in the associate (including the loan) is tested for impairment under the requirements of IAS 28 *Investments in Associates and Joint Ventures*.

In measuring the loan at amortised cost, the effective-interest method is applied by discounting estimated future cash receipts through the expected life of the loan. Where necessary, estimates of receipts are revised and the gross carrying amount of the loan is adjusted to reflect actual and revised estimated contractual cash flows. The gross carrying amount of the loan is recalculated as the present value of the estimated future cash flows, discounted at the loan's original effective interest rate. The adjustment is recognised in profit or loss.

In the prior year, the Group did not accurately revise the estimated future cash flows from the loan and, as a result, the required adjustment to the carrying amount of the loan was not recognised in profit or loss. This adjustment has now been calculated and recognised in the prior year as a "fair value gain" within "other gains" in the statement of comprehensive income.

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The correction of the errors results in adjustments as follows:

Statement of financial position	31 March 2018	1 April 2017		
Increase in carrying value of property, plant and equipment	4 983	7 862	–	–
Increase in investment in associates	38 759	–	–	–
Increase in retained income	42 771	6 379	–	–
Increase in non-controlling interest	971	1 483	–	–
Profit or loss	2018	2017		
Increase in depreciation	2 879	–	–	–
Increase in fair value gains	38 759	–	–	–

37. Comparative figures

Certain comparative figures have been reclassified.

- In previous years, royalties and exploration costs were separately presented in the Consolidated Statement of Comprehensive Income. These expenses have been reclassified together with other expense items in line with industry norms and separately disclosed in the relevant notes. Due to this change in allocation, the Group has had to restate prior period figures presented in the Consolidated Statement of Comprehensive Income.
- Commission received on the sale of rough diamonds on behalf of third parties was included in other income in previous years. As these sales form an integral part of the operations of the entity, they have been included as revenue from contracts with customers. Due to this change in allocation, the Group has had to restate prior period figures presented in the Consolidated Statement of Comprehensive Income.
- Administration fees received by the Company were classified as other income. As these fees relate to the primary operations of the entity, they have been included as revenue from contracts with customers.

The effects of the reclassification are as follows:

Profit or loss				
Cost of goods sold	–	(2 331)	–	–
Other operating expenses	–	(5 248)	–	–
Royalties	–	1 005	–	–
Exploration costs	–	6 574	–	–
Revenue from contracts with customers	–	12 143	–	3 069
Other operating income	–	(12 143)	–	(3 069)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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38. Segmental information

The Group has identified year reportable segments which, represent the structure used by the steering committee to make key operating decisions and assess performance.

The Group's reportable segments are operating segments that are differentiated by the activities that each undertakes, products they manufacture and markets they operate in.

Segmental revenue and results

Management has determined the operating segments based on the reports reviewed by the executive management that are used to make strategic decisions.

The executive management considers the business from a geographic perspective. Geographically, management considers the performance of South Africa and Angola.

The reportable operating segments derive their revenue primarily from the selling of diamonds. The executive management assesses the performance of the operating segments in a manner consistent with that of the financial statements.

The amounts provided to the executive management with respect to the total assets and total liabilities are measured in a manner consistent with that of the financial statements.

Revenues from transactions with certain customers can amount to 10% or more of total revenue. During the year under review such individual customers were responsible for aggregate sales of R134.6 million (2018: Rnil).

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Continuing operations				Discontinued operations		
2019	South Africa R'000	Angola R'000	Total R'000	South Africa R'000	Angola R'000	Total R'000
Carats sold	151 424	–	–	–	–	–
Revenue from contracts with customer	312 556	–	312 556	–	–	–
Costs of goods sold	(403 002)	–	(403 002)	–	–	–
Gross loss	(90 446)	–	(90 446)	–	–	–
Other operating gains	138 532	51 713	190 245	77 791	–	77 791
Other operating expenses	57 337	(6 579)	(63 916)	–	–	–
Operating (loss)/profit	(9 251)	45 134	35 883	77 791	–	77 791
Share of results of associated companies	–	50 410	50 410	–	–	–
Profit for the year from discontinued operations	–	–	–	–	1 528	1 528
Investment income	16 002	–	16 002	–	–	–
Finance costs	(39 293)	–	(39 293)	–	–	–
(Loss)/profit before income tax	(32 542)	95 544	63 002	77 791	1 528	79 319
Depreciation included above	(37 206)	–	(37 206)	–	–	–
Fair value gain in loan to associate	–	51 713	51 713	–	–	–
Remeasurement of rehabilitation provision	111 164	–	111 164	–	–	–
Total assets	568 578	231 695	800 273	–	–	–
Total liabilities	(344 888)	(4 970)	(349 858)	(58 200)	(83 720)	(141 920)
Capital expenditure	7 656	–	7 656	–	–	–
Net asset value per share (cents)	263	104	367	(50)	(73)	(123)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

Continuing operations				Discontinued operations		
2018	South Africa R'000	Angola R'000	Total R'000	South Africa R'000	Angola R'000	Total R'000
Carats sold	78 185	–	–	16 698	–	–
Revenue from contracts with customer	204 685	–	204 685	205 874	–	205 874
Costs of goods sold	(169 477)	–	(169 477)	(426 109)	–	(426 109)
Gross profit/(loss)	35 477	–	35 208	(220 235)	–	(220 235)
Other operating (losses)/gains	(50 735)	37 017	(13 718)	9 748	–	9 748
Other operating expenses	(55 255)	(11 185)	(66 440)	(1 029)	–	(1 029)
Operating (loss)/profit	(70 782)	25 832	44 950	(211 516)	–	(211 516)
Share of results of associated companies	(8 841)	47 503	38 662	–	–	–
Profit for the year from discontinued operations	–	–	–	–	2 314	2 314
Investment income	25 020	–	25 020	–	–	–
Finance costs	(32 995)	–	(39 293)	(3 831)	–	(3 831)
(Loss)/profit before income tax	(87 598)	73 335	(14 263)	(215 347)	2 314	(213 033)
Depreciation included above	(11 277)	(3)	(11 280)	(10 860)	–	(10 860)
Fair value gain in loan to associate	–	38 759	38 759	–	–	–
Total assets	705 965	129 763	835 728	36 308	–	36 308
Total liabilities	(524 247)	(3 197)	(527 444)	(99 603)	(69 595)	(169 198)
Capital expenditure	2 111	–	2 111	4 468	–	4 468
Net asset value per share (cents)	170	71	241	(55)	(60)	(115)

Analysis of revenue by customer

Revenue				
Customer A	38 579	–	–	–
Customer B	51 411	–	–	–
Customer C	44 560	–	–	–
Total revenue	134 550	–	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

Non-current assets allocated as follow:

South Africa	332 265	387 616	–	–
Angola	170 910	114 217	–	–
	503 175	501 833	–	–

39. Going concern

As at 31 March 2019, the Group's current liabilities exceeded its current assets by R177,749 (2018: R118,741).

The Board of Directors (the Board) has resolved that the going-concern assumption on the Group, as consolidated, is appropriate. In reaching this conclusion the board, inter alia, considered the real drivers on this assumption, being the cash flows for the ensuing year, in particular those of WCR and assumptions embedded therein. The Board also applied its mind to the worst case scenario regarding the potential disposal of WCR, comprising 67.2% of the WCR shares, to Kernel Resources.

The Group's ability to fund its short-term liquidity requirements is dependent on the financial support of its shareholders and the Industrial Development Corporation (IDC), creating a material uncertainty which, may cast significant doubt about the Group's ability to continue as a going concern.

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for

- Property, plant and equipment

Not yet contracted for but authorised by directors

	–	2 184	–	–
	–	10 063	–	–
	–	12 247	–	–

This committed expenditure relates to plant and equipment and will be financed by the Group's own resources or borrowed funds.

41. Contingent liabilities

The Group is subject to claims that arise in the ordinary course of business. The Group has provided performance guarantees to banks and other third parties amounting to R8.4 million (2018: R8 million).

Trans Hex Diamante Limited (THD) has provided a performance guarantee to the Industrial Development Corporation Limited to the value of the outstanding amount being R127.5 million (2018: R146.2 million).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

42. Events after reporting period

Post year-end, Trans Hex Operations (Pty) Ltd, West Coast Resources (Pty) Ltd (WCR), Trans Hex Diamante Limited (THD) (all of which are subsidiaries of Trans Hex) and Kernel Resources (Pty) Ltd (Kernel Resources), (collectively, the Parties) entered into a process of negotiating the terms and conditions of the potential disposal of the shares held by THD in the issued share capital of WCR ("WCR Shares"), comprising 67.2% of the WCR Shares, to Kernel Resources.

In anticipation thereof and, to ensure undisturbed continuity of WCR's Namaqualand operations ("Namaqualand Operations"), the Parties entered into a management and mining services agreement, whereby WCR has, subject to the fulfilment of suspensive conditions customary for an agreement of this nature, appointed Kernel Resources as an independent contractor to perform management and mining services in connection with the Namaqualand Operations.

Details of the above agreement were released on SENS on 10 May and 21 May 2019 and are available on Trans Hex's website at www.transhex.co.za/announcements.

The Group received an offer to purchase the head office building, which was accepted on 13 May 2019. The Group has agreed to dispose of the property for a total cash consideration of R30.0 million (exclusive of value added tax) payable on the date of transfer of the property. The carrying value of the property at 31 March 2019 is R1 008 755.

Details of the above transaction were released on SENS on 20 May 2019 and is available on Trans Hex's website at www.transhex.co.za/announcements.

The directors are not aware of any other material event that occurred after the reporting date and up to the date of this report.

43. Risk management

Financial risk management

The Group's activities expose it to a variety of financial risks, including the effects of changes in credit risk, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the Group aims to maintain flexibility in funding by keeping committed credit lines available. In terms of the articles of association, the Group has unlimited borrowing powers. There would be forewarning of any payments required in terms of financial guarantees as the probability of payment is considered to be low.

The table (page 142) analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Trade and other payable balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

43. Risk management (continued)

Group			
At 31 March 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Borrowings	169 911	47 597	55 530
Trade and other payables	67 055	–	–
At 31 March 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Borrowings	171 751	44 356	86 859
Trade and other payables	46 363		
Company			
At 31 March 2019			Less than 1 year
Trade and other payables			1 102
At 31 March 2018			Less than 1 year
Trade and other payables			747

Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group sometimes borrows at variable rates. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group's interest rate exposure and effective interest rates are summarised in notes 11 and 16. At 31 March 2019, if the interest rate had increased/decreased by 1%, post tax profit for the year would have increased/decreased as a result of interest received/paid on cash and cash equivalents and borrowings by R1.4 million (2018: by R0.7 million).

The other financial instruments in the Group's statement of financial position are not exposed to interest-rate risk.

Credit risk

The Group has policies in place to ensure that the sale of goods and rendering of services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

The Group minimises its credit risk by investing its cash and cash equivalents with major banks and financial institutions located principally in South Africa, Belgium and Angola. The majority of cash funds are held at South African financial institutions, all of which have a BAA3 Moody's short-term credit-rating. The Group believes that no concentration of credit risk exists with respect to investment of its cash and cash equivalents.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

43. Risk management (continued)

Amounts past due at reporting date have been impaired in full. Management considers the credit quality of fully performing financial assets to be good. This is assessed on initial recognition and monitored consistently.

The Group's maximum exposure to credit risk at the reporting date is the fair value of each class of financial assets.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, and net investments in foreign operations. Entities in the Group use forward contracts to hedge their exposure to foreign currency risk as economic hedges. Sales denominated in foreign currency are only hedged for a short period of time from tender to payment date. The Group also hedges the foreign currency exposure of its contract commitments to purchase certain production equipment. The forward contracts used in its programme are consistent with the related purchase commitments. There were no outstanding forward contracts at year-end.

At 31 March 2019, if the currency had strengthened/weakened by 5% against the US dollar, post tax-profit or loss for the year would have been R1.9 million (2018: R0.3 million) lower/higher, mainly as a result of foreign exchange losses/gains on translation of the US dollar denominated loan to Somilwana.

At 31 March 2019, if the currency had strengthened/weakened by 5% against the US Dollar, other comprehensive income for the year would have been R4,4 million (2018: R2,2 million) lower/higher, mainly as a result of foreign exchange losses/gains on translation of the US dollar denominated investment in associates and interest in joint ventures.

44. Fair-value hierarchy

Fair-value hierarchy

The table below analyses assets and liabilities carried at fair value during the prior year. The different levels are defined as follows:

Level 1	Quoted unadjusted prices in active markets for identical assets or liabilities that the Group can access at measurement date.
Level 2	Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly.
Level 3	Unobservable inputs for the asset or liability.

Financial assets were classified as Level 1 according to the fair value hierarchy. Investments held by the environmental trust were the only financial assets carried at fair value in the prior year, however, this fund consists primarily of cash and cash equivalents with the largest driver of the growth in the trust fund being attributable to interest received.

(a) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily listed equity investments classified as trading securities or available-for-sale.

The nominal value less impairment provisions of trade receivables, cash and cash equivalents, trade payables, other financial assets and borrowings are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available for the Group for similar financial instruments.

SHAREHOLDER INFORMATION

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Non-public/public shareholders and shareholder spread

Non-public/public shareholders

Pursuant to the Listings Requirements of the JSE Limited and to the best knowledge of the directors, after reasonable enquiry, the spread of shareholders at 31 March 2019 appears below:

	2019 %	2018 %
Cream Magenta 140 (Pty) Ltd	24.07	23.47
Directors and associates*	55.79	55.18
Public shareholders	19.83	21.05
Trans Hex Group Share Trust	0.31	0.31

* Refer to page 59 of this Annual Integrated Report for more information regarding the directors' direct and indirect interest in the Group.

Shareholder spread

Shareholder type	Number of shareholdings	% of total shareholdings	Shares held	% held
Non-public shareholders	6	0.11	92 582 245	80.17
Directors and associates of the Company	3	0.05	64 425 381	55.79
Strategic holders >10%	1	0.02	27 800 400	24.07
Share schemes	1	0.02	352 328	0.31
Own holdings	1	0.02	4 136	0.00
Public shareholders	5 355	99.89	22 905 868	19.83
Total	5 361	100.00	115 488 133	100.00

MAJOR SHAREHOLDERS AS AT 31 MARCH 2019

Trans Hex's ordinary shares are quoted on the JSE and trade on the JSE's Basic Resources – Mining sector under the share code TSX.

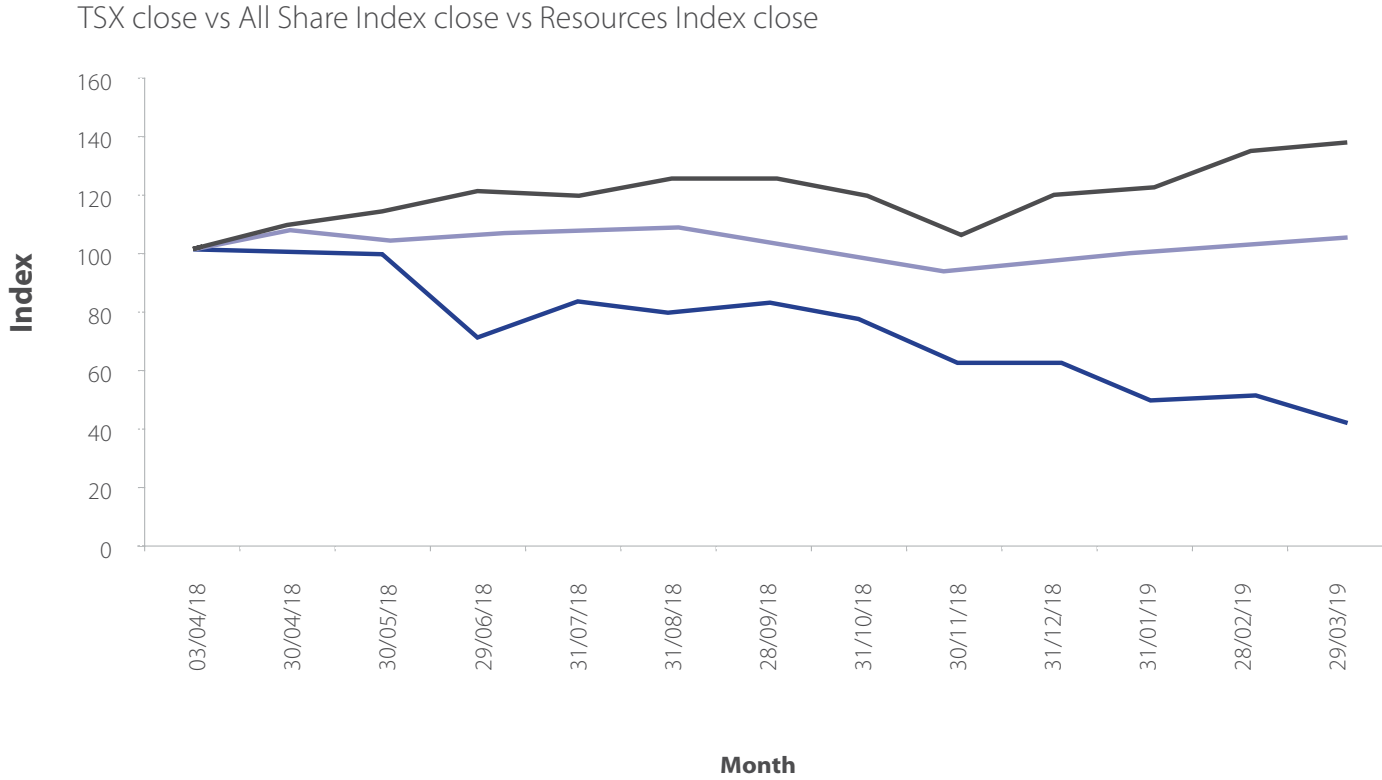
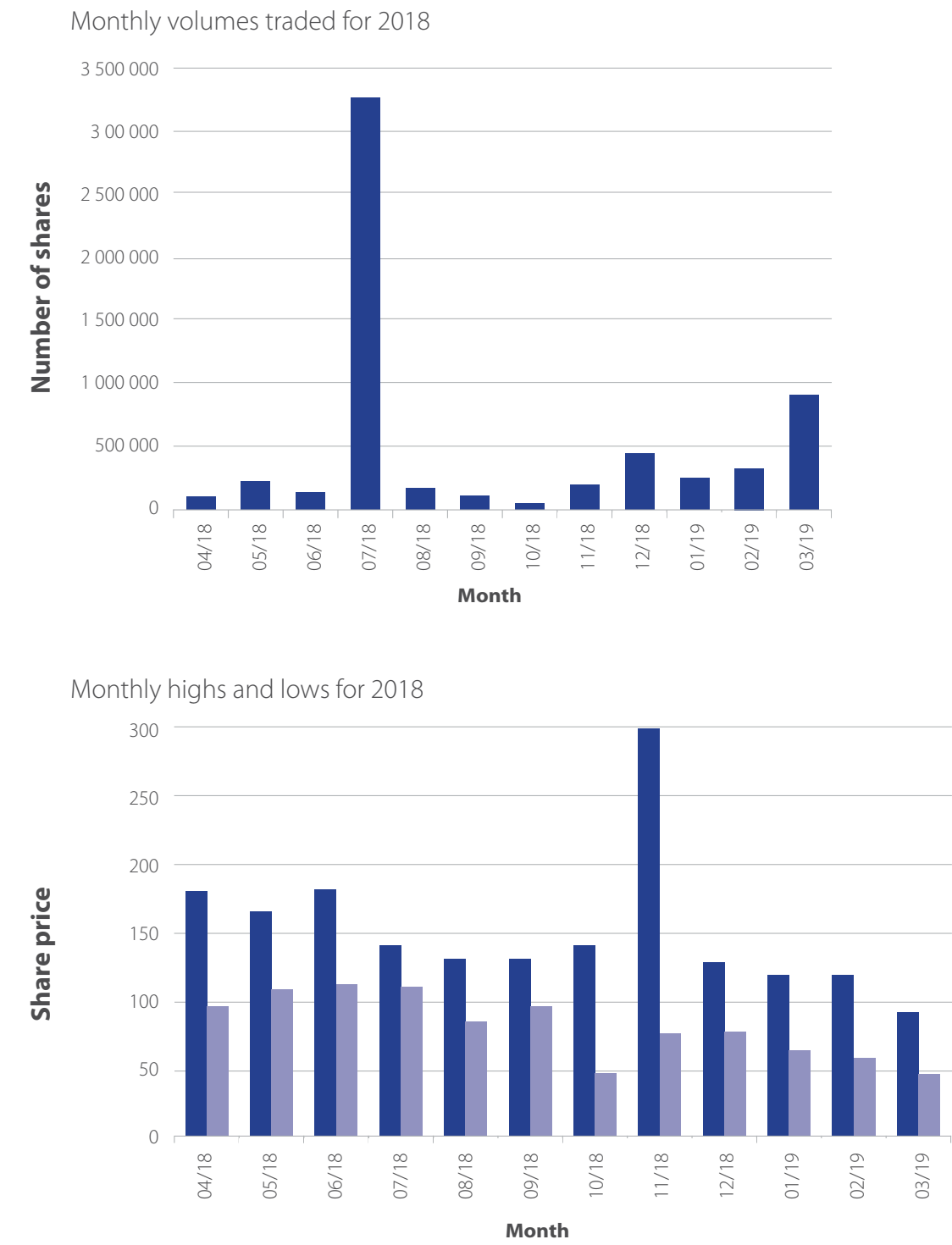
According to information available to the directors, shareholders beneficially holding (either directly or via nominee companies) in excess of 3% of the issued share capital, were as follows:

Shareholder	Number of shares	%
RECM and Calibre Ltd	36 474 981	31.58
Cream Magenta 140 (Pty) Ltd	27 800 400	24.07
Metcap 14 (Pty) Ltd	27 800 400	24.07
Total	92 075 781	79.72

According to information available to the directors, shareholders (by group) holding in excess of 3% of the issued share capital, were as follows:

Shareholder	Number of shares	%
RECM and Calibre Ltd	36 474 981	31.58
Cream Magenta 140 (Pty) Ltd	27 800 400	24.07
Metcap 14 (Pty) Ltd	27 800 400	24.07
Investec Asset Management	5 963 300	5.16
Total	98 039 081	84.88

SHAREHOLDER INFORMATION



SHAREHOLDER INFORMATION

General statistics and ratios

	2019	2018
Total number of shares in issue at year-end	115 488 113	115 488 113
Weighted average number of shares in issue	107 198 499	107 198 499
Total shares traded	6 242 988	7 380 452
Volume traded as a percentage of shares in issue (%)	5.41	6.39
Closing price as at 31 March (cents)	65	170
Volume weighted average annual price per share (cents)	107	205
Price/earnings ratio as at 31 March	0.51	(0.84)
Earnings yield as at 31 March (%)	196.66	(118.62)
Dividend yield as at 31 March (%)	–	–
Market capitalisation at 31 March (Rm)	75	124
Headline earnings per share (cents)	45.3	(165)
Interim dividend (cents)	–	–
Final dividend (cents)	–	–
Net asset value per share (cents)	244	125

Shareholder categories as at 31 March 2019

Shareholder spread	Number of shareholdings	% of total shareholdings	Shares held	% held
1–1 000 shares	4 749	88.58	488 867	0.42
1 001–10 000 shares	444	8.28	1 490 774	1.29
10 001–100 000 shares	128	2.39	3 502 956	3.03
100 001–1 000 000 shares	33	0.62	10 077 189	8.73
1 000 001 shares and over	7	0.13	99 928 327	86.53
Total	5 361	100.00	115 488 113	100.00

Shareholder categories as at 31 March 2019

Distribution of shareholders	Number of shareholdings	% of total shareholdings	Shares held	% held
Retail shareholders	4 732	88.27	8 868 284	7.68
Trusts	4 732	5.52	1 538 318	1.33
Private companies	153	2.85	95 056 752	82.31
Stockbrokers & nominees	40	0.75	28 721	0.02
Close corporations	34	0.63	144 991	0.13
Custodians	29	0.54	462 270	0.4
Investment partnerships	24	0.45	2 686 669	2.33
Unclaimed scrip	13	0.24	16 307	0.01
Foundations & charitable funds	12	0.22	160 395	0.14
Retirement-benefit funds	7	0.13	454 591	0.39
Collective investment schemes	6	0.11	5 151 965	0.00
Scrip lending	5	0.09	227	0.00
Control accounts	3	0.06	677	0.00
Public companies	2	0.04	5	0.00
Share schemes	2	0.04	356 464	0.31
Assurance companies	1	0.02	146	0.00
Hedge funds	1	0.02	560 000	0.48
Managed funds	1	0.02	1 331	0.00
TOTAL	9 797	100.00	115 488 113	100.00

Important shareholder dates

Financial year end – 31 March

Annual General Meeting – 26 August 2019

Financial reports

Announcement of half-year interim results – November

Announcement of annual results – June

Annual financial statements – Jun

Registered office

PO Box 723, Parow, 7499

Company website:

www.transhex.co.za

JSE sponsor

One Capital Sponsor Services (Pty) Ltd

www.onecapital.co.za

Transfer secretaries

Computershare Investor Services (Pty) Ltd

www.computershare.com/za/

Company secretary

Statucor (Pty) Ltd

www.statucor.co.za

Auditor

Mazars

Trans Hex Group: incorporated in the Republic of South Africa

Registration number: 1963/007579/06

JSE share code:TSX

ISIN: ZAE000018552

